

# U.S. House Introduces 36% Rate Cap Bill to Curb High-Cost, Predatory Loans

November 17, 2021

*Bipartisan bill enacts rate cap popular among voters of all stripes*

WASHINGTON – Advocates at the National Consumer Law Center applauded the introduction of the Veterans and Consumers Fair Credit Act (VCFCA) in the U.S. House of Representatives, led by Rep. Jesus “Chuy” Garcia (D-IL) and Rep. Glenn Grothman (R-WI).

“Republican and Democratic voters alike strongly support a 36% interest rate cap, which is the simplest way to stop predatory lending and ensure that lenders make responsible loans that borrowers can repay without getting caught in a debt trap,” **said National Consumer Law Center Associate Director Lauren Saunders.**

The 36% interest rate cap **goes back over 100 years** and has stood the test of time. “The 36% interest rate limit has become the broadly accepted dividing line between responsible lending and destructive credit that harms lives and destroys financial inclusion,” **Saunders explained.** “**Experience has repeatedly shown** that consumers find better options when rate caps eliminate predatory loans. A national interest rate cap would stop predatory lenders from using **rent-a-bank schemes** to make 150% to 200% APR loans that are illegal in nearly every state.”

The Veterans and Consumers Fair Credit Act extends the Military Lending Act’s 36% interest rate cap to all consumers, including veterans and Gold Star Families. The bill covers all types of lenders, including banks, and would eliminate high-cost, predatory payday loans, auto-title loans, and similar forms of toxic credit across the nation by:

- Establishing a simple, common sense limit that is broadly supported by the public on a bipartisan basis.
- Preventing hidden fees and loopholes.
- Simplifying compliance by adopting a standard that lenders already understand and use.
- Upholding the ability of states to adopt stronger protections as needed, such as lower rates for larger loans.

The Act does not apply to residential mortgages, car purchase loans, or loans by federal credit unions, which are already subject to an 18% interest rate cap for most loans and a 28% cap for payday alternative loans.

Polling data show that voters across the political spectrum strongly support interest rate limits. Many states already have a reasonable rate cap. For example, in November 2020, 83% of Nebraska voters approved a 36% interest rate limit. Similar strong bipartisan majorities of voters or legislatures in recent years have approved 36% or lower rate caps in many other states, including Arkansas, Arizona, Illinois, Colorado, Montana, and Ohio, but some lenders are evading those laws through rent-a-bank schemes. Currently, 32 states and the District of Columbia impose an interest rate limit of 36% or less on a \$2,000, 2-year installment loan, though some have loopholes for short-term payday loans or other types of loans.

Related NCLC Resources

- Brief: Why Cap Interest Rates at 36%?, August 2021
- Brief: After Payday Loans: Consumers Find Better Ways to Cope with Financial Challenges, August 2021
- State Rate Caps for \$500 and \$2,000 Loans, March 2021