

Protect Americans from Triple-Digit APR Loans: Support S. 3452

December, 18 2012

The Honorable Richard J. Durbin
711 Hart Senate Building
Washington, DC 20510

Dear Senator Durbin:

Thank you for introducing the “Protecting Consumers from Unreasonable Credit Rates Act of 2012,” which would extend the 36 percent usury APR cap for military families enacted in the Military Lending Act of 2006 to all consumers. A fair rate cap will protect consumers' budgets and will curb abuses in the high-cost small dollar loan market. The 36 percent rate cap set by your legislation would permit responsible lending to consumers with less-than-perfect credit while restraining harmful products. This rate is higher than that set for federal credit unions.

Currently consumers are paying triple-digit rates for car title and payday loans (including those offered at traditional storefronts, online, and by banks). A large body of research has demonstrated that these products are structured to create a long-term debt trap that drains consumers of key assets. Indeed, the lack of underwriting, high fees, short-term due date, single balloon payment, and having access to a borrower's checking account as collateral ensure that most borrowers have no choice but to take out more loans to pay off the initial payday or car title loan. A federal usury cap is necessary to put all creditors on a level playing field while permitting states to enact more protective limits.

Although many states cap rates for some forms of credit, banks can undermine these protections by exporting their weak home-state limits on credit costs to other states across the country. Your bill is necessary because the Dodd-Frank Act prohibited the Consumer Financial Protection Bureau from setting a national usury cap absent Congressional action. It is therefore vitally important for Congress to set the outside limit on the cost-of-credit to curb abusive lending.

American families need protection from rate-gouging for credit as they climb out of the Great Recession and attempt to build stronger financial lives. We look forward to working with you to support a fair rate cap.

Sincerely,

Americans for Financial Reform
Center for Economic Justice

Consumer Action
Consumer Assistance Council, Inc.
Consumer Federation of America
Consumers Union
Center for Digital Democracy
Center For Responsible Lending
Dēmos
Housing and Economic Rights Advocates
International Brotherhood of Teamsters
The Leadership Conference on Civil and Human Rights
League of United Latin American Citizens
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center, on behalf of its low-income clients
National Fair Housing Alliance
National People's Action
PICO National Network
Public Citizen
Sargent Shriver National Center on Poverty Law
Southern Poverty Law Center
Woodstock Institute
Alliance for a Just Society
Community Organizations in Action
Main Street Alliance

State Organizations

Alabama Appleseed Center for Law & Justice
Alabama Arise
Birmingham Faith in Action, AL
Arizona Consumers Council
Democratic Processes Center, AZ
SW Center for Economic Integrity, AZ
Arkansas Against Abusive Payday Lending.
California Reinvestment Coalition
Public Interest Law Firm and Fair Housing Law Project, CA
Consumers for Auto Reliability and Safety, CA
Mission Asset Fund, CA
Privacy Rights Clearinghouse, CA
Colorado Progressive Coalition
The Bell Policy Center, CO

Colorado Lutheran Advocacy Ministries
Coloradans for Payday Lending Reform
Colorado Progressive Coalition
Together Colorado
Connecticut Association for Human Services
Legal Assistance Resource Center of Connecticut, Inc.
Jacksonville Area Legal Aid, Inc., FL
Idaho Community Action Network
Action Research Center, Illinois Wesleyan University, IL
Chicago Consumer Coalition, IL
Citizen Action, Illinois
First United Methodist Church, IL
Heartland Alliance for Human Needs & Human Rights, IL
Heaven's View Christian Fellowship, IL
Illinois Asset Building Group
Illinois Indiana Regional Organizing Network
Illinois People's Action
Lakeview Action Coalition, IL
Metanoia Centers, IL
Monsignor John Egan Campaign for Payday Loan Reform, IL
Northside P.O.W.E.R., IL
Project IRENE, IL
Society of Saint Vincent dePaul Peoria Diocesan Council, IL
Word of Life Church, IL
Iowa Citizens for Community Improvement
Sunflower Community Action, KS
Kentucky Coalition for Responsible Lending
Kentucky Equal Justice Center
Raise Kentucky
Jesuit Social Research Institute, Loyola University New Orleans, LA
Maryland Consumer Rights Coalition
Alliance to Develop Power, MA
Consumer Assistance Council, Inc., MA
Maine People's Alliance
Mississippi Center for Justice
Mississippians for Fair Lending
Mississippi Faith Leaders United for Fair Lending
Communities Creating Opportunity, MO
GrassRoots Organizing, MO
Montana Community Foundation
New Jersey Citizen Action

Battered Families Services, Inc., NM
McKinley Community Health Alliance, NM
New Mexico Voices for Children
Progressive Leadership Alliance of Nevada
Good Ole' Lower East Side, NY
People United for Sustainable Housing, NY
Voices of Community Activists & Leaders, NY
Reinvestment Partners, NC
Oregon Consumer League
Coalition on Homelessness & Housing in Ohio
Communities United for Action, OH
Policy Matters Ohio
Economic Fairness Oregon
Fuerza Laboral, RI
SC Appleseed Legal Justice Center
Coalition of Religious Communities, UT
Virginia Citizens Consumer Council
Virginia Partnership to Encourage Responsible Lending Coalition
Virginia Poverty Law Center
Washington Community Action Network
WashingtonCAN! Education and Research Fund
Legal Aid Society of Milwaukee, Inc., WI