

April 9, 2013

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

Re: Protecting Consumers from Unreasonable Credit Rates

Dear Senator Durbin:

Thank you for introducing the “Protecting Consumers from Unreasonable Credit Rates Act of 2013,” 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 and 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 terms.

Currently, consumers pay 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' bank accounts. Indeed, the lack of underwriting, high fees, short loan terms, single balloon payment, and access to a borrower's checking account as collateral ensure that most borrowers have no choice but to take out additional loans to pay off the initial payday or car title loan. A properly structured federal usury cap puts all creditors on a level playing field without undermining any additional consumer protections in the states.

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. It is vitally important for Congress to set the outside limit on the cost-of-credit to curb abusive lending.

We enthusiastically support the Protecting Consumers from Unreasonable Credit Rates Act of 2013. For more information, please contact Tom Feltner, director of financial services, Consumer Federation of America at (202) 618-0310 or tfeltner@consumerfed.org.

Sincerely,

Alabama Appleseed
Alabama Arise
Americans for Financial Reform
Arkansans Against Abusive Payday Lending
Arkansas Community Organizations
California Reinvestment Coalition
Center for Responsible Lending
Citizen Action Illinois
Coalition of Religious Communities (Utah)
Consumer Action
Consumer Assistance Council, Inc. (MA)
Consumer Federation of America
Consumer Federation of California
Consumers for Auto Reliability and Safety (CA)
Consumers Union
Economic Fairness Oregon
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Green America
Florida Consumer Action Network
Jesuit Social Research Institute, Loyola University New Orleans
Kentucky Coalition for Responsible Lending
Mississippi Center for Justice
Monsignor John Egan Campaign for Payday Loan Reform (IL)
Montana Community Foundation
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center, on behalf of its low income clients
National People's Action
Neighborhood Economic Development Advocacy Project (NY)
New Jersey Citizen Action
Maryland CASH Campaign
Maryland Consumer Rights Coalition
Project IRENE (IL)
RAISE Kentucky
Reinvestment Partners (NC)
Sargent Shriver National Center on Poverty Law (IL)
South Carolina Appleseed Legal Justice Center
Southern Poverty Law Center
Southwest Center for Economic Integrity (AZ)
Virginia Citizens Consumer Council
Virginia Poverty Law Center
Woodstock Institute (IL)