

Carve-Out Undermines New Federal Consumer Oversight Infrastructure

At the root of HR 1909 and similar legislation is an effort by non-bank lenders to circumvent new federal oversight and undermine consumer protections recently provided under the Dodd-Frank Act.

HR 1909 will allow non-bank lenders selling a broad range of predatory products, including payday loans and car-title loans, to be chartered and regulated by the Office of the Comptroller of the Currency. With a national charter, the lenders could escape the jurisdiction of the newly created Consumer Financial Protection Bureau (CFPB) and the states, negating hard-fought efforts to rein in abusive financial practices. The bill will set a precedent for other companies to seek similar carve-outs from the CFPB and stronger state laws.

A Broken Promise to Consumers

Less than a year after the CFPB has been fully operational, HR 1909 would backtrack on Congress' promise to consumers: protect them from predatory and abusive lenders.

The CFPB was created for the purpose of protecting families from the very financial products marketed and sold by the companies covered in HR 1909.

Instead, under HR 1909, non-bank lenders will be regulated by the OCC, a historically more lenient agency that actively obstructed states from reining in reckless subprime lenders and fell asleep at the wheel during the mortgage crisis.

A Federal Charter to Circumvent Stronger State Laws

Several states across the country have adopted strong consumer protections that bar the abusive loans and predatory practices that HR 1909 and similar legislation would allow nationwide. Since 2008, voters in Arizona, Ohio, and Montana, have overwhelmingly approved limits on 400% interest payday loans and products offered by similar non-bank financial providers. But HR 1909 will override these laws and put weaker or no protections in their place.

Jeopardizes the Morale of Our Troops and Their Families

In 2006, the U.S. Department of Defense found that predatory lending "harms the morale of troops and their families." As a result, Congress passed a law that curbs the abuses of predatory lending for all active-duty military families. Yet, HR 1909 and similar legislation will cast these service-member protections into doubt and allow those same predatory non-bank lenders to prey on our veterans and their families across the country without the oversight of the CFPB or the protection of stronger state laws.



Oppose HR 1909 Don't Undermine State, Federal Consumer Protections

Legitimizes a Two-Tier Financial System with More Predatory Loans

Under the guise of access to credit for underserved communities, HR 1909 will reduce protections for a broad range of harmful financial products and services nationwide, including 400% interest payday and car title loans, installment lenders, prepaid-card issuers, check cashers, and others that are known to prey on low-income and minority communities and have been proven to do more harm than good to our working families, seniors, and veterans.

In essence, HR 1909 and similar legislation will allow a two-tier financial system to flourish unchecked nationwide -- a system that relegates low- and moderate-income borrowers to higher-priced financial products and services or leaves them behind with no responsible credit options available.

The last thing those communities and families need in a time of economic uncertainty is another set of abusive lenders to lead them deeper into debt and worst financial problems.

About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a national nonprofit, nonpartisan research and policy organization dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.