



United States Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

July 29, 2021

Re: Protecting Americans from Debt Traps by Extending the Military's 36% Interest Rate Cap to Everyone

Consumer Reports appreciates the Committee on Banking, Housing, and Urban Affairs holding a hearing regarding the need to protect consumers from predatory lending. We write today to express our support for the Veterans and Consumers Fair Credit Act. **We urge the Committee to rein-in predatory lending by passing the Veterans and Consumer Fair Credit Act and establishing a federal usury limit of 36%.**

Payday loans are marketed as lifelines to some of the most financially fragile Americans, yet are structured in a way that keep people trapped in cycles of debt. A typical payday loan is required to be paid back in full within two weeks, which is an unconventional and unreasonably short deadline for financially struggling consumers¹. The short payback period of these loans also results in triple digit APRs, with most borrowers unable to pay them off for four months.² Payday loans clearly aren't a lifeline at all - they're predatory debt traps.

Congress can put consumers first and directly address predatory lending by passing the Veterans and Consumers Fair Credit Act, a bipartisan bill which establishes a federal usury limit of 36%. The bill expands the existing rate cap for service members established under the Military Lending Act to apply to all consumers. In order to fit under the rate cap, small-dollar lenders would have to restructure their loans to have longer terms, making them more affordable and manageable for borrowers.

We strongly urge the Committee to rein-in predatory lending and pass the Veterans and Consumers Fair Credit Act.

¹ Lauren Saunders, *Why 36%? The History, Use, and Purpose of the 36% Interest Rate Cap*, National Consumer Law Center (NCLC), April 2013, available at: <https://www.nclc.org/images/pdf/pr-reports/why36pct.pdf>

² *Stopping the Payday Loan Trap: Alternatives That Work, Ones That Don't*, NCLC, June 2010, available at: https://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/report-stopping-payday-trap.pdf

Sincerely,

A handwritten signature in black ink, appearing to read 'Syed Ejaz', written in a cursive style.

Syed Ejaz
Policy Analyst