

April 29, 2021

The Honorable Sherrod Brown, Chairman, U.S. Senate Committee on Banking, Housing, and Urban Affairs
Room SD-534 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patrick J. Toomey, Ranking Member, U.S. Senate Committee on Banking, Housing, and Urban Affairs
455 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey,

Veterans Education Success urges you to support S.J.Res.15/H.J.Res.35, the Congressional Review Act challenge to the Office of the Comptroller of the Currency's (OCC's) final rule, "National Banks and Federal Savings Associations as Lenders," which threatens to unleash predatory lending in all 50 states. Currently forty-five states cap interest rates, including 18 and the District of Columbia that cap all high-cost loans at 36 percent or less. The OCC's rule would undermine these state protections and expose residents to predatory practices.

We are concerned that the final rule hurts all consumers, including veterans, Gold Star families, and unactivated members of the reserves and National Guard by allowing lenders to charge interest rates of 179% or higher that are not subject to state interest rate caps.

As you may recall, such very high interest rates by payday lenders prompted Congress to pass the Military Lending Act (MLA).¹ At that time, the Department of Defense saw that payday lenders were congregating outside of military installations and ensnaring servicemembers in debt traps that threatened their financial readiness and made them ineligible for security clearances. The Fiscal Year 2006 National Defense Authorization Act dealt with the problem by passing the MLA. Enactment has spurred a 99 percent reduction in active duty Sailors and Marines turning to the Navy and Marine Corps Relief Society after falling victim to predatory financial products.²

While the MLA protects servicemembers on active duty, once they come off of active duty, state interest rate caps are often the only rights they have to protect their financial well-being. States have had the power to enact these caps since the time of the thirteen colonies.

This issue resonates across the country in a bipartisan manner. Just last November, 83 percent of Nebraskans voted for a ballot initiative in support of a 36 percent interest rate cap on small-dollar,

¹ Department of Defense, Report On Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents (2006), available at: https://archive.defense.gov/pubs/pdfs/Report_to_Congress_final.pdf (last visited April 28, 2021).

² Available at:

<https://static1.squarespace.com/static/556718b2e4b02e470eb1b186/t/5c7d3ec0e79c70579f44162c/1551711937100/>

short-term loans – a cap that is now under threat by the OCC’s decision. In recent years voters in Colorado³, Montana⁴, and South Dakota⁵ have all passed, with large majorities, similar rate caps.

We ask you to support the Congressional Review Act resolution to overturn the OCC’s true lender rule because it takes away the right of states to pass interest rate caps that help protect vulnerable consumers, including veterans, Gold Star families, and unactivated reservists, from predatory, high-cost lending.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Saunders". The signature is fluid and cursive, with a horizontal line drawn underneath it.

Mike Saunders
Director of Military and Consumer Policy
Veterans Education Success

³ Laura Alix, Colorado voters approve 36% interest cap on payday loans, *American Banker* (2018), available at : <https://www.americanbanker.com/news/colorado-voters-approve-36-interest-cap-on-payday-loans> (last visited April 28, 2021).

⁴ Available at: [https://ballotpedia.org/Montana_Loan_Interest_Rate_Limit,_I-164_\(2010\)](https://ballotpedia.org/Montana_Loan_Interest_Rate_Limit,_I-164_(2010)) (last visited April 28, 2021)

⁵ Available at: [https://ballotpedia.org/South_Dakota_Payday_Lending_Initiative,_Initiated_Measure_21_\(2016\)](https://ballotpedia.org/South_Dakota_Payday_Lending_Initiative,_Initiated_Measure_21_(2016)) (last visited April 28, 2021)