From: Robert Rutkowski [redacted]
Sent: 11/15/2018 3:06 PM
To: publicinfo@fdic.gov
Subject: FDIC Action Shows Need to Prevent Flood of High-Cost Bank Loans

Jelena McWilliams, Chair
Federal Deposit Insurance Corporation
Public Information Center
3501 North Fairfax Drive
Room E-1021
Arlington, VA 22226
publicinfo@fdic.gov

Re: FDIC Action Shows Need to Prevent Flood of High-Cost Bank Loans

Dear Chair:

FDIC yesterday issued a Request for Information (RFI) on small-dollar lending by banks. Existing FDIC policies have kept predatory lending by FDIC-supervised banks largely at bay, and they should not be weakened. Do not allow banks to make loans that exceed 36% interest.

The RFI also asks about bank partnerships, which have been used to facilitate rent-a-bank schemes that avoid state interest rate caps.

The FDIC has a responsibility to make sure banks abide by basic rules of the road. The agency can ensure banks follow the rules by maintaining its existing critical guidances against predatory high-cost bank loans. Existing 2013 guidance addresses unaffordable bank payday loans, and 2006 guidance advises that banks charge no more than 36% interest on installment loans.

History shows clearly that unaffordable, high-cost bank loans have harmed consumers, risked the banks' safety and soundness, and hurt the banks' reputations. Whether a balloon payment or an installment loan, an unaffordable loan approaching 100% interest will harm, rather than help, bank customers — while eroding protections against usurious interest rates across the country.

The FDIC should also address and prevent the proliferation of rent-a-bank schemes, partnerships with nonbank lenders that facilitate avoidance of state interest rate caps. These caps are essential to preventing borrowers from falling into debt traps.

Thank you for the opportunity to bring these remarks to your attention.

Yours sincerely,
Robert E. Rutkowski

cc:
House Democratic Whip Office
Legislative Correspondence Team

[redacted]

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