

Delivered electronically to comments@fdic.gov

January 24, 2020

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
1776 F Street, NW
Washington, DC 20006

Re: Comments on FDIC Notice of Proposed Rulemaking, Federal Interest rate Authority, 12 CFR Part 331, RIN-3064-AF21

Dear Chairman McWilliams:

The Consumer Law Section writes from the state of Michigan to strongly oppose the FDIC's "federal interest rate authority" proposal. Please note that the Consumer Law Section is not the State Bar of Michigan itself, but rather a Section which members of the State Bar choose voluntarily to join, based on common professional interest. The position expressed is that of the Consumer Law Section only and is not the position of the State Bar of Michigan.

Michigan has strong interest rate caps intended to protect our residents from predatory loans. However, our rate caps are currently being evaded through rent-a-bank companies such as OppLoans, Elevate and Enova. In Michigan, these rent-a-bank companies are making loans at 99% to 160 % APR well above Michigan's 25% interest rate cap for small loans.

Rent-a-bank schemes harm the people of Michigan by subjecting them to predatory loans that exploit many of our most financially vulnerable residents. At present, these schemes involve FDIC-supervised banks. This proposal threatens to open Michigan's doors to more of these scams.

Since the inception of this nation, regulation of interest rate limits has been a state function. Yet the FDIC seeks to change that now, by claiming that state-regulated non-bank lenders who buy loans from banks should be able to charge rates that exceed Michigan law. The FDIC's proposal leaves far too much room for predatory lenders to pursue rent-a-bank schemes while burdening state regulators and private citizens with the impractical task of policing who is the "true lender." This task is a challenge already, but it will become far more challenging in a landscape where the FDIC's proposal has been finalized.

The residents of Michigan are not being harmed by a shortage of loans that exceed Michigan's rate cap; rather, they are better off without high-cost loans.

We urge you to withdraw this extremely harmful proposal.

Sincerely,

Members of the Council of the Michigan Consumer Law Section