From: cgraham@givingstrong.com
To: Comments
Subject: [EXTERNAL MESSAGE] February 4, 2020 - Federal Interest Rate Authority - Notice of Proposed Rulemaking; Comment Request (RIN 3064-AF21)
Date: Thursday, January 30, 2020 11:52:28 AM

To: Jelena McWilliams, Chair Federal Deposit Insurance Corporation, 550 17th St. NW Washington, DC
RE: Federal Interest Rate Authority [RIN 3064-AF21]
Dear Chairman McWilliams,
I strongly oppose the proposed rules by the OCC and FDIC which would allow predatory lenders to avoid state interest rate limits by “rent a bank” schemes to shield their loans by assigning loans originally made to them by banks. These high interest loans will trap people in debt and extract their wealth and prevent them from building wealth for themselves and their families. It will also exacerbate the national gap in wealth. I urge you to withdraw these rules immediately.
The proposed regulations will have the effect of allowing predatory “subprime” non-bank lenders to avoid state regulations in the interest rates they charge, by attaching to themselves the power of banks to “export” the interest rates of the bank’s home state, generally chosen for its bank friendly regulatory and legal environment, to other states. This is done by borrowing from a bank and assigning the loan proceeds, essentially "renting" the bank's immunities. This an abuse of the special power of banks.
Predatory loans include payday and car title loans that often carry annual interest rates as high as 400% or more. Predatory loans also include high cost installment loans and lines of credit with rates approaching and well exceeding 100%. These loans target financially distressed individuals, compound their debt burden, and leave them much worse off. Payday lenders also disproportionately prey on communities of color, stripping them of income, exacerbating financial exclusion, and widening the racial wealth gap.
The FDIC itself is on the record opposing such practices. In 2005, the FDIC took action in response to its member banks’ widespread participation in payday lending. In the introductory letter to its Revised Examination Guidance, the FDIC stated that member banks who partnered with payday lenders were acting in a manner “inconsistent with prudent lending practices.” The letter also discussed the risks associated with payday lending, including credit, legal, reputational, and compliance risks. The Guidance document enforced limits of six payday loans per year per borrower, after which point the bank would be required to offer a borrower longer-term loans. These new guidelines caused almost all FDIC member banks to leave the payday lending industry within a year. With this last piece of regulation, the rent-a-bank model fell out of favor.
This is not the time to resurrect such usurious practices. High interest rates have been shown to perpetuate debt, creating conditions where borrowers cannot pay back the loan within the time period required, and instead take out new loans to pay off the old ones, generating additional debt for themselves and profitable origination fees for the lender, but leading eventually to financial ruin for the borrower. These cycles of unsustainable debt are unconscionable as is allowing this loophole.
Thank you for your consideration,
Christen Graham
President
Giving Strong. Inc.
North Yarmouth, Maine