



January 6, 2020

The Honorable Jelena McWilliams

Chairman
Federal Deposit Insurance Corporation
1776 F Street, NW
Washington, DC 20006

SENT VIA EMAIL
comments@fdic.gov

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

Dear Chairman McWilliams,

The East Bay Community Law Center writes from the state of California to strongly oppose the FDIC's "federal interest rate authority" proposal.

California 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 schemes. Despite California's lower rate caps, FDIC-supervised FinWise Bank (chartered in Utah) is currently renting its charter to Opploans to enable loans at 160% APR.

The FDIC's proposal, particularly coupled with the FDIC's failure to stop its banks from facilitating rent-a-bank usury evasions happening now, threatens to open California's doors to more of these scams. Rent-a-bank schemes harm the people of California by subjecting them to predatory loans that exploit many of our most financially vulnerable residents.

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 that buy loans from banks should be able to charge rates that exceed California 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."

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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 FDIC lacks the authority to regulate the interest rates charged by state-regulated non-bank lenders. Moreover, the FDIC has demonstrated no need for this policy. Indeed, the residents of California are not being harmed by a shortage of loans that exceed California's rate cap; rather, they are better off without high-cost loans.

We urge you to withdraw this unjustified and extremely harmful proposal.

Sincerely,



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*Authorized to practice law in California pursuant to CA Rule of Court 9.45(c)(2)(B)
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