Veterans and Consumers Fair Credit Act (VCFCA)

The VCFCA would eliminate predatory payday, auto-title, and high-cost installment loans, and similar forms of toxic credit across America by:

Reestablishing a simple, common sense limit on predatory lending.

- The bill would extend the Department of Defense's 36% interest rate cap to ALL Americans. This would simply reestablish usury laws that were in force in virtually every state throughout most of the twentieth century.
    - While the **Military Lending Act (MLA)** currently caps interest rates on loans to active duty service members and their families, members of the reserve component, survivors, and Veterans are not protected.
    - These members of the military community are especially susceptible to the financial and mental health problems associated with predatory payday loans.
    - Predatory lenders target Veterans and their families, using specialized marketing to appeal to members of the military. The protections that applied to Veterans when they were active duty no longer apply, leaving them particularly exposed to financial exploitation.
    - Predatory payday lenders also target African American and Latinx borrowers. Studies have found payday stores are disproportionately located in black and brown communities, even when controlling for income. In addition, heavy marketing tactics target African American and Latinx communities.

Strengthening the Military Lending Act.

- This bill would help protect active duty military that are now vulnerable to getting offered a predatory loan because of lax oversight of the MLA.
    - The Consumer Financial Protection Bureau (CFPB) had been conducting supervisory examinations of payday lenders and others within their jurisdiction for compliance with the Military Lending Act. However, in 2018, under the Trump administration, CFPB stopped these examinations, contending they don't have the clear authority to do the examination.

Preventing hidden fees and loopholes.

- The 36% rate cap is based on the Pentagon's successful rules that include all additional fees or add-ons. A federal law is necessary to stop evasions and protect all Americans.

Preserving access to affordable credit options.

- The Department of Defense's approach is time-tested and proven. Active duty service members are still able to make ends meet including through non-credit means, such as payment plans with utilities, and with credit from banks, credit unions, finance companies, fintech companies, and retailers.

Maintaining low industry compliance costs from compromise rules already in effect.

- Compliance costs for industry will be low because creditors should *already* know how to comply for active duty military and their families.

Upholding stronger state protections.

- Fourteen states, plus the District of Columbia cap interest rates for payday loans at 36%. Thirty-nine states cap interest rates at approximately 36% for larger installment loans. States like Arkansas, South Dakota, North Carolina, Colorado, New Hampshire, New York, and Montana already have strong interest rate caps. Existing laws will not be impacted because the bill does not preempt any provision of State law that provides greater protections to consumers.
- Recently, many predatory online lenders have started to partner with out-of-state banks in an effort to evade state interest rate caps. Through these "rent-a-bank" schemes, they are offering loans of up to 160% interest in states with a much lower rate cap.