

House passes repeal of Trump-era 'true lender' rule

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The Senate in May surprised industry lobbyists after Senate Banking Chair Sherrod Brown (D-Ohio) was able to rally Democrats and three Republicans to undo the rule. | Alex Wong/Getty Images

The House on Thursday agreed to overturn a Trump-era rule that made it simpler for lenders to skirt state-level interest rate caps, sending this year's first significant revamp of financial regulation to President Joe Biden for his signature.

The House voted 218-208 to nullify the so-called true lender rule that the Office of the Comptroller of the Currency finalized in October. Democrats spearheaded the rollback [with a resolution](#) under the Congressional Review Act, arguing that the rule helped payday lenders issue predatory loans by letting them partner with banks that don't have to abide by state-by-state usury laws.



The move was fiercely opposed by most Republicans but was also not a slam-dunk among Democrats. The Senate in May surprised industry lobbyists after Senate Banking Chair [Sherrod Brown](#) (D-Ohio) was able to rally Democrats and three Republicans to undo the rule. The White House [also supported the killing the regulation](#).

Rep. [Glenn Grothman](#) of Wisconsin was the lone Republican to vote in favor of the bill Thursday. Grothman said in an interview that he split with his party because "I've had a long history of opposing the predatory lenders that take advantage of people in the country." No Democrats voted against the resolution.

Several financial industry groups opposed the rollback, including the American Bankers Association, the Independent Community Bankers of America, the Online Lenders Alliance and Electronic Transactions Association.

Thursday's vote was a victory for consumer groups, including the National Community Reinvestment Coalition, the National Consumer Law Center, the NAACP and the Center for Responsible Lending.

During debate on the floor Thursday, Republicans framed their opposition to the bill mainly in terms of how nixing the rule would further limit credit to individuals who lack access to favorable loan rates, including minority groups, often due to shorter or limited lending histories with large banks.

Democrats dismissed Republicans' claims.

"I hardly think that this is all about taking care of minorities and these small businesses." House Financial Services Chair [Maxine Waters](#) (D-Calif.) said of the GOP opposition, adding it was about "protecting the national banks."

The rule, spearheaded by former acting Comptroller Brian Brooks, clarified a broad range of circumstances in which a bank should be considered the "true lender" when joining up with other firms like online lenders. It said the bank need only be named as the lender or provide funding for the loan, a definition that even banks have cautioned is overly broad, though they opposed Congress' move to stop the rule entirely.

Once Biden signs the resolution, which nullifies the rule under the terms of the Congressional Review Act, the "true lender" issue will return to being a case-by-case matter for the courts to decide. Also, another comptroller will not be able to put out any similar regulation on the same issue without additional

legislation — a blow to online lenders and banks who have sought more legal certainty.

Acting Comptroller of the Currency Michael Hsu, who was appointed by Treasury Secretary Janet Yellen, said in a statement after the House passed the bill that, "I want to reaffirm the agency's long-standing position that predatory lending has no place in the federal banking system."

"Moving forward, the OCC will consider policy options, consistent with the Congressional Review Act, that protect consumers while expanding financial inclusion," he said. "Both of these priorities are part of the agency's mission of ensuring that national banks and federal savings associations provide fair access to financial services for all Americans and that customers are treated fairly."

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