100 + Diverse National and State Groups Support Durbin's S. 500 Bill

March 2, 2009

The Honorable Richard J. Durbin
309 Hart Senate Bldg.
Washington, DC 20510

Dear Senator Durbin:

We applaud you for introducing S.500 that would stop a wide range of lending abuses by capping interest rates for consumer credit at 36 percent annually. Cleaning up the finance industry is essential to a sustainable economic recovery.

The **"Protecting Consumers from Unreasonable Credit Rates Act"** would implement a key promise made by President Obama to extend to all Americans Congressional protection against predatory lending for Service members and their families. By limiting the total cost of consumer credit to 36 percent, Congress will keep billions of dollars in the hands of low and moderate-income consumers, helping to stimulate the economy without costing taxpayers a penny.

This measure is designed to keep affordable financial products available, as lenders who offer sustainable loans do so at rates well below 36 percent annually. But it would eliminate abuses that rely on high fees, interest and other devices to charge extremely high annual rates—some 400 percent and higher—to trap consumers in debt they cannot afford to pay off.

Protections that once curbed abusive lending in America have been shredded, and consumers are paying astronomical rates for credit, especially those who have the fewest resources. Payday loans cost 400 percent APR or higher; car title loans cost 300 percent APR and put car ownership at risk; loans secured by expected tax refunds cost 50 to 500 percent APR; and credit card fees and interest can combine to produce triple-digit rates. Bank overdraft loans can cost quadruple digit interest rates. These extremely expensive credit products drain billions from families who struggle to make ends meet, diminishing their ability to purchase products and services that would boost the economy.

The ability of states to enact meaningful reforms on credit card and bank overdraft practices has been severely restricted as a result of federal preemption. Banks are now permitted to locate in a state without consumer protections and then engage in unregulated lending in the other forty-nine states, which are powerless to protect their citizens against high cost credit cards and tax refund anticipation loans. State usury caps have been riddled with loopholes and exceptions, leaving consumers in thirty-five states exposed to outrageously expensive payday loans.

The FAIR (Fees and Interest Rate) cap on consumer credit is set high enough not to hamper mainstream responsible lending. A 36 percent rate cap is twice the limit for federally-chartered credit unions and enables credit to be responsibly extended to consumers with less than perfect credit ratings. This is the rate cap enacted by Congress through the Military Lending Act and is the limit typically used in state small loan laws. The FAIR cap will be the maximum amount lenders can charge, but states will be able to set lower rate caps to protect their citizens, such as New York's 25 percent criminal cap and Arkansas's constitutional cap.

We urge quick action to implement the FAIR cap to stop usurious credit rates, to protect struggling consumers, and to put all lenders under the same set of protections.

Sincerely,

Jean Ann Fox, Consumer Federation of America
Pam Banks, Consumers Union
Lauren Saunders, National Consumer Law Center (on behalf of its low income clients)
Edmund Mierzwinski, U. S. Public Interest Research Group
Michael Calhoun, Center for Responsible Lending
David Berenbaum, National Community Reinvestment Coalition
Hilary O. Shelton, NAACP
Linda Sherry, Consumer Action
Sally Greenberg, National Consumers League
Don Mathis, Community Action Partnership
Jim Campen, Americans For Fairness in Lending
Maude Hurd, Association of Community Organizations for Reform Now (ACORN)
George Goehl, National Training and Information Center
Ira Rheingold, National Association of Consumer Advocates (NACA)
Jerily DeCoteau, First Nations Development Institute
Joanna Donohoe, Oweesta Corporation
Lisa Rice, National Fair Housing Alliance
Rosemary Shahan, Consumers for Auto Reliability and Safety
Steve Hitov, National Health Law Program (NHeLP)
Jacqueline Johnson Pata, National Congress of American Indians
Joe Rich, Lawyers' Committee for Civil Rights Under Law

State Organizations

Shay Farley, Alabama Appleseed
Barbara Williams, Alaska Injured Workers Alliance Research and Development Corp.
Diane E. Brown, Arizona Public Interest Research Group
Leslie Kyman Cooper, Arizona Consumers Council
Al Sterman, Democratic Processes Center, Arizona
Karin Uhlich, Southwest Center for Economic Integrity, Arizona
H. C. "Hank" Klein, Arkansans Against Abusive Payday Lending
Jim Bliesner, San Diego City/County Reinvestment Task Force, California

Alison Brunner and Hilary Armstrong, Law Foundation of Silicon Valley, California
Betsy Handler, Inner City Law Center, Los Angeles, California
Richard Holober, Consumer Federation of California
Kimberly Jones and Liana Molina, California Reinvestment Coalition
Kyra Kazantzis, Public Interest Law Firm, Fair Housing Law Project, San Jose, CA
M. Stacey Hawver, Legal Aid Society of San Mateo County, California
Raphael L. Podolsky, Legal Assistance Resource Center of Connecticut, Inc.
Lynn Drysdale, Jacksonville Area Legal Aid, Inc., Florida
Bill Newton, Florida Consumer Action Network
Sally G. Schmidt, Florida Equal Justice Center
Victor Geminani, Lawyers for Equal Justice, Hawaii
Don Carlson, Central Illinois Organizing Project, Illinois
Lynda DeLaforgue and William McNary, Citizen Action/Illinois
Rose Mary Meyer, Project IRENE, Illinois
Dan McCurry, Chicago Consumer Coalition, Illinois
Dory Rand, Woodstock Institute, Illinois
Madeline Talbott, Action Now, Illinois
Brian C. White, Lakeside Community Development Corporation, Illinois
Judith Fox, Notre Dame Legal Aid Clinic, Indiana
Victor Elias, Child and Family Policy Center and Iowa Coalition Against Abusive Lending, Iowa
Larry M. McGuire, Minister, Community of Christ and Inter-Religious Council of Linn County, Iowa
Lana L. Ross, Iowa Community Action Association
Jason Selmon, Sunflower Community Action, Kansas
Terry Brooks, Kentucky Youth Advocates
Dana Jackson, Making Connections Network, Louisville, Kentucky
Melissa Fry Konty, Mountain Association for Community Economic Development, Kentucky
Anne Marie Regan and Rich Seckel, Kentucky Equal Justice Center
Amy Shir, Kentucky Asset Building Coalition
Debra Gardner, Public Justice Center, Maryland
Charles Shafer, Maryland Consumer Rights Coalition
Debra Fastino, The Coalition for Social Justice, Massachusetts
Jim Breslauer, Neighborhood Legal Services, Lawrence, Massachusetts
Caroline Murray, Alliance to Develop Power/ADP Worker Center, Massachusetts
Kari Deming, Lakeshore Legal Aid, Michigan
Paheadra B. Robinson, Mississippi Center for Justice
Robin Acree, GRO-Grassroots Organizing, Missouri
Mike Cherry, Consumer Credit Counseling Service, Missouri
Mike Ferry, Gateway Legal Services, Inc., Missouri, Arkansas, and Illinois
Linda Gryczan, Montana Business and Professional Women, Montana Women's Lobby
Linda E. Reed, Montana Community Foundation
Michele Johnson, Consumer Credit Counseling Service, Nevada and Utah
Dan Wulz, Legal Aid Center of Southern Nevada
Paula J. O'Brien, New York State Consumer Protection Board

Kirsten Keefe, Empire Justice Center, New York
Josh Zinner and Sarah Ludwig, Neighborhood Economic Development Advocacy Project, New York
Al Ripley, North Carolina Justice Center
Tom Allio, Ohio Coalition for Responsible Lending
Jeffrey D. Dillman, Housing Research and Advocacy Center, Ohio
Bill Faith, Coalition on Homelessness and Housing in Ohio
Jim McCarthy, Miami Valley Fair Housing Center, Inc., Ohio
David Rothstein, PolicyMatters, Ohio
Jeff Shuman, Deep Fork Community Action, Oklahoma
Linda Burgin, SEIU Local 503, Oregon
Linda Burgin, SEIU Oregon State Council
Jerry Cohen, AARP Oregon
Alice Dale, SEIU Local 49, Oregon
Angela Martin, Our Oregon
Kerry Smith, Community Legal Services, Pennsylvania
Sue Berkowitz, South Carolina Appleseed Legal Justice Center
Rena Eller, Senior Citizens of Hendersonville, Inc
Dana M. Given, United Way of Sumner County, Tennessee
Corky Neale, RISE Foundation and Memphis Responsible Lending Collaborative, TN
Karen Pershing, United Way of Greater Knoxville, Tennessee
Sherry Tolli, Home Safe of Sumner, Wilson and Robertson Counties, Inc., Tennessee
Carlos Gallinar, La Fe Community Development Corporation, El Paso, Texas
Regina Harvey, Dominion Financial Management, Smyrna, Texas
Linda Hilton, Coalition of Religious Communities, Utah
Janice “Jay” Johnson, Virginia Organizing Project
Irene E. Leech, Virginia Citizens Consumer Council
LaTonya Reed and C. Douglas Smith, Virginia Interfaith Center
Ward Scull and Mike Lane, Virginians Against Payday Lending
James W. Speer, Virginia Poverty Law Center
Dana Wiggins, Virginia Partnership to Encourage Responsible Lending
Maya Baxter, Statewide Poverty Action Network, Washington
John R. Jones, Washington ACORN
Bruce Neas, Columbia Legal Services, Washington, on behalf of clients
Will Pittz, Washington Community Action Network
Sarah Hawks and Gina Sanchez, La Casa de Esperanza, Inc. Wisconsin