

ENSURING QUALITY UNBIASED ACCESS TO LOANS ACT
OF 2018

AUGUST 3, 2018.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HENSARLING, from the Committee on Financial Services,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 4861]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 4861) to nullify certain guidance on deposit advance products, to require the Federal banking agencies to establish standards for short-term, small-dollar loans made by insured depository institutions, to exempt insured depository institutions and insured credit unions from the payday lending rule of the Bureau of Consumer Financial Protection, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

Introduced by Representative Trey Hollingsworth on November 16, 2017, H.R. 4861, the “Ensuring Quality Unbiased Access to Loans Act of 2018” would repeal the Federal Deposit Insurance Corporation’s (FDIC) “Guidance on Supervisory Concerns and Expectations Regarding Deposit Advance Products” (78 Fed. Reg. 70552; November 26, 2013). The bill would also require each Federal banking agency to issue regulations, subject to notice and comment, to establish standards for short-term, small-dollar loans or lines of credit made available by insured depository institutions.

BACKGROUND AND NEED FOR LEGISLATION

As early as 1995, many financial institutions offered small dollar loans to customers as an alternative to other short-term lending products known as “deposit advance products.” These loans were typically only available to existing customers with direct deposit and provided a short term line of credit for the customer. Institutions offering the product charged a fee in terms of dollars per amount advanced and included limits on advances. The outstanding balance is repaid from the consumers direct deposits; however, the financial institution could offer the consumer an extended repayment plan. Many of these products included “cooling off” periods that prohibited consumers from accessing another deposit advance.

In 2012 the Center for Financial Services Innovation conducted a survey of consumer’s use of small dollar credit products, including deposit advance.¹ This survey found that 53% of respondents would use deposit advance again without hesitation, and overall 90% of respondents rated their satisfaction with the product as 3 or higher (based on a scale of 1 to 5). Furthermore, the survey found that the costs of deposit advance products were least likely to exceed consumers’ expectations compared to other small dollar credit products.

On November 21, 2013, the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) issued final guidance to financial institutions that offered deposit advance products.² The guidance includes the following requirements:

- For the bank to be able to evaluate a customer’s deposit advance eligibility, the customer must have had a deposit account with the bank for at least six months.
- Customers with any delinquent or adversely classified credits should be ineligible.
- The bank should analyze the customer’s financial capability, giving consideration to the customer’s ability to repay a loan without needing to borrow repeatedly from any source, including re-borrowing, to meet necessary expenses.
- Each deposit advance loan should be repaid in full before a subsequent loan is made, banks should not offer more than one loan per monthly statement cycle, and a cooling-off period of at least one monthly statement after repayment of a loan should be completed before another loan is made. We read these requirements to effectively impose a limit of six deposit advances per year.
- A customer’s deposit advance credit limit should not be increased without a full underwriting assessment and any increase should not be automatic but should be initiated by a customer’s request.
- The bank should reevaluate the customer’s eligibility and capacity for the product no less often than every six months and identify risk that could negatively affect the customer’s eligibility, such as repeated overdrafts.

¹ <https://s3.amazonaws.com/cfsi-innovation-files/wp-content/uploads/2017/01/31163518/A-Complex-Portrait-An-Examination-of-Small-Dollar-Credit-Consumers.pdf>.

² <https://www.fdic.gov/news/news/press/2013/pr13105a.pdf>.

Although the guidance from the respective banking agencies does not specifically ban deposit advance products, its effect on banks makes it impossible to continue offering these products on a large-scale basis, if at all. This is accomplished by asserting that certain risks are associated with the products including credit, reputation, operational, and compliance risk. In a press statement announcing the release of the guidance, then Comptroller Thomas Curry stated:

“The OCC encourages banks to offer responsible products that meet the small-dollar credit needs of customers However, deposit advance products share a number of characteristics with traditional payday loans, including high fees, short repayment periods, and inadequate attention to the ability to repay. As such, these products can trap customers in a cycle of high-cost debt that they are unable to repay. As a result, they pose significant safety and soundness and consumer protection risks. Banks must understand and manage those risks, and this guidance clarifies our expectations for doing so.”³

As a result of the 2013 guidance, financial institutions that previously chose to offer deposit advance products discontinued doing so, to the extent that only one FDIC-insured institution currently offers a deposit advance product.

Despite effectively banning deposit advance products by disincentivizing banks to offer them, the demand remains, and in many cases will only intensify in the wake of the Bureau of Consumer Financial Protection (BCFP) issuing a Final Rule to regulate short-term small-dollar loans. The BCFP rule, released on October 5, 2017, affects loans where the consumer must substantially repay within 45 days, in large lumps, or any loan where the cost of credit exceeds 36 percent per year (effectively applying an inappropriate Annual Percentage Rate calculation to loans that are intended to be held for only a short period).

The same day the BCFP released its final rule, then-Acting Comptroller Keith Noreika rescinded the OCC guidance on deposit advance products. According to Mr. Noreika:

The continuation of the OCC’s guidance would subject national banks and federal savings associations to potentially inconsistent regulatory direction and undue burden as they prepare to implement the requirements of the CFPB’s final rule. Moreover, in the years since the agency issued the guidance, it has become clear to me that it has become difficult for banks to serve consumers’ need for short-term, small-dollar credit. As a result, consumers who would rely on highly regulated banks and thrifts for these legitimate and well-regulated products to meet their financial needs turn to other, lesser regulated entities, which may result in consumer harm and expense. In ways, the guidance may even hurt the very consumers it is intended to help, the most marginalized, unbanked and underbanked portions of our society.”⁴

³ <https://www.occ.treas.gov/news-issuances/news-releases/2013/nr-occ-2013-182.html>.

⁴ <https://www.occ.treas.gov/news-issuances/news-releases/2017/nr-occ-2017-118.html>.

A result of the heavy federal regulation of the short-term, small dollar credit is the potential elimination of the entire marketplace, leaving consumers experiencing financial emergencies with no safe options for short-term, small-dollar credit. By repealing the FDIC guidance, and requiring future regulation to be transparently evaluated and coordinated between banking regulators, banks will have the legal and regulatory certainty to re-enter the marketplace and re-introduce these products, which will give consumers more credit options from which to choose in an emergency.

HEARINGS

The Subcommittee on Financial Institutions held a hearing examining matters relating to H.R. 4861 on July 12, 2017.

COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on March 21, 2018 and ordered H.R. 4861 to be reported favorably to the House without amendment by a recorded vote of 34 yeas to 26 nays (recorded vote no. FC-167), a quorum being present.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. A recorded vote was taken on an amendment offered by Rep. Ellison. The amendment was not agreed to by a vote of 26 yeas to 33 nays (Record vote no. FC-166). A recorded vote was taken on a motion by Chairman Hensarling to report the bill favorably to the House without amendment. The motion was agreed to by a recorded vote of 34 yeas to 26 nays (Record vote no. FC-167), a quorum being present.

Record vote no. FC-166

| Representative | Yea | Nay | Present | Representative | Yea | Nay | Present |
|-------------------------|-----|-----|---------|---------------------------------|-----|-----|---------|
| Mr. Hensarling | | X | | Ms. Maxine Waters (CA) | X | | |
| Mr. McHenry | | X | | Mrs. Carolyn B. Maloney (NY) .. | X | | |
| Mr. King | | X | | Ms. Velázquez | X | | |
| Mr. Royce (CA) | | X | | Mr. Sherman | X | | |
| Mr. Lucas | | X | | Mr. Meeks | X | | |
| Mr. Pearce | | X | | Mr. Capuano | X | | |
| Mr. Posey | | X | | Mr. Clay | X | | |
| Mr. Luetkemeyer | | X | | Mr. Lynch | X | | |
| Mr. Huizenga | | X | | Mr. David Scott (GA) | X | | |
| Mr. Duffy | | X | | Mr. Al Green (TX) | X | | |
| Mr. Stivers | | X | | Mr. Cleaver | X | | |
| Mr. Hultgren | | X | | Ms. Moore | X | | |
| Mr. Ross | | X | | Mr. Ellison | X | | |
| Mr. Pittenger | | X | | Mr. Perlmutter | X | | |
| Mrs. Wagner | | X | | Mr. Himes | X | | |
| Mr. Barr | | X | | Mr. Foster | X | | |
| Mr. Rothfus | | X | | Mr. Kildee | X | | |
| Mr. Messer | | X | | Mr. Delaney | X | | |
| Mr. Tipton | | X | | Ms. Sinema | X | | |
| Mr. Williams | | X | | Mrs. Beatty | X | | |
| Mr. Poliquin | | X | | Mr. Heck | X | | |
| Mrs. Love | | X | | Mr. Vargas | X | | |
| Mr. Hill | | X | | Mr. Gottheimer | X | | |
| Mr. Emmer | | X | | Mr. Gonzalez (TX) | X | | |
| Mr. Zeldin | | X | | Mr. Crist | X | | |
| Mr. Trott | | X | | Mr. Kihuen | X | | |
| Mr. Loudermilk | | X | | | | | |
| Mr. Mooney (WV) | | X | | | | | |
| Mr. MacArthur | | X | | | | | |
| Mr. Davidson | | | | | | | |
| Mr. Budd | | X | | | | | |
| Mr. Kustoff (TN) | | X | | | | | |
| Ms. Tenney | | X | | | | | |
| Mr. Hollingsworth | | X | | | | | |

Record vote no. FC-167

| Representative | Yea | Nay | Present | Representative | Yea | Nay | Present |
|-------------------------|-----|-----|---------|------------------------------------|-----|-----|---------|
| Mr. Hensarling | X | | | Ms. Maxine Waters (CA) | X | | |
| Mr. McHenry | X | | | Mrs. Carolyn B. Maloney (NY) | X | | |
| Mr. King | X | | | Ms. Velázquez | X | | |
| Mr. Royce (CA) | X | | | Mr. Sherman | X | | |
| Mr. Lucas | X | | | Mr. Meeks | X | | |
| Mr. Pearce | X | | | Mr. Capuano | X | | |
| Mr. Posey | X | | | Mr. Clay | X | | |
| Mr. Luetkemeyer | X | | | Mr. Lynch | X | | |
| Mr. Huizenga | X | | | Mr. David Scott (GA) | X | | |
| Mr. Duffy | X | | | Mr. Al Green (TX) | X | | |
| Mr. Stivers | X | | | Mr. Cleaver | X | | |
| Mr. Hultgren | X | | | Ms. Moore | X | | |
| Mr. Ross | X | | | Mr. Ellison | X | | |
| Mr. Pittenger | X | | | Mr. Perlmutter | X | | |
| Mrs. Wagner | X | | | Mr. Himes | X | | |
| Mr. Barr | X | | | Mr. Foster | X | | |
| Mr. Rothfus | X | | | Mr. Kildee | X | | |
| Mr. Messer | X | | | Mr. Delaney | X | | |
| Mr. Tipton | X | | | Ms. Sinema | X | | |
| Mr. Williams | X | | | Mrs. Beatty | X | | |
| Mr. Poliquin | X | | | Mr. Heck | X | | |
| Mrs. Love | X | | | Mr. Vargas | X | | |
| Mr. Hill | X | | | Mr. Gottheimer | X | | |
| Mr. Emmer | X | | | Mr. Gonzalez (TX) | X | | |
| Mr. Zeldin | X | | | Mr. Crist | X | | |
| Mr. Trott | X | | | Mr. Kihuen | X | | |
| Mr. Loudermilk | X | | | | | | |
| Mr. Mooney (WV) | X | | | | | | |
| Mr. MacArthur | X | | | | | | |
| Mr. Davidson | X | | | | | | |
| Mr. Budd | X | | | | | | |
| Mr. Kustoff (TN) | X | | | | | | |
| Ms. Tenney | X | | | | | | |
| Mr. Hollingsworth | X | | | | | | |

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that H.R. 4861 will repeal the FDIC's guidance on Deposit Advance Products which will allow customers who might not qualify for traditional credit products such as credit cards and lines of credit to have access to deposit advance products as an additional funding option, from financial institutions which they have an established relationships at.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 20, 2018.

Hon. JEB HENSARLING,
*Chairman, Committee on Financial Services,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4861, the EQUAL Act of 2018.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sarah Puro and Stephen Rabent.

Sincerely,

KEITH HALL,
Director.

Enclosure.

H.R. 4861—EQUAL Act of 2018

H.R. 4861 would nullify guidance issued in 2013 by three financial regulators—the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve—about certain short-term loans, known as deposit

advance products, that banks offer to their customers. The bill also would require the Consumer Financial Protection Bureau (CFPB) to alter some current regulations.

CBO estimates that those financial regulators and the CFPB would need a total of three to five employees for about a year, with an average annual compensation of \$250,000 each, to complete the rulemaking required by the bill regarding deposit advance products.

CBO expects that enacting the bill would not change the risk that a federally insured financial institution would fail because we estimate that the size of the deposit advance market would continue to be small under H.R. 4861. In 2013, deposit advance products amounted to less than 0.05 percent of the assets held by banks, and the loss rate of about 5 percent on those products was similar to that for other unsecured credit. Also, for the roughly 900 banks regulated by the OCC, H.R. 4861 would have no effect on their operations because the OCC has already rescinded the 2013 guidance on deposit advance products.

CBO estimates enacting the bill would increase the deficit by \$1 million over the 2019–2028 period; therefore, pay-as-you-go procedures apply. That increase comprises increased direct spending by the FDIC and the CFPB and decreased revenues from the Federal Reserve.

CBO estimates that enacting H.R. 4861 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 4861 would preempt state laws and regulations that govern bank's short-term lending when those laws conflict with federal regulations issued under the bill. Although the preemption would limit the application of state laws and regulations, CBO estimates that H.R. 4861 would impose no duty on state, local, or tribal governments that would result in additional spending or a loss of revenues. Consequently, the cost would not exceed the threshold established in the Unfunded Mandates Reform Act (UMRA) for intergovernmental mandates (\$80 million in 2018, adjusted annually for inflation).

CBO expects the FDIC and OCC would increase fees or premiums to offset the costs of rulemaking activities required by the bill. Therefore, H.R. 4861 would increase the costs of an existing mandate on private entities required to pay those fees. However, CBO estimates that the incremental cost of the mandate would fall well below the annual threshold established in UMRA for private-sector mandates (\$160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sarah Puro and Stephen Rabent (for federal costs) and Jon Sperl (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

FEDERAL MANDATES STATEMENT

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995.

The Committee has determined that the bill does not contain Federal mandates on the private sector. The Committee has deter-

mined that the bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of the section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

DUPLICATION OF FEDERAL PROGRAMS

In compliance with clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95–220, as amended by Pub. L. No. 98–169).

DISCLOSURE OF DIRECTED RULEMAKING

Pursuant to section 3(i) of H. Res. 5, (115th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

This section cites H.R. 4861 as the “Ensuring Quality Unbiased Access to Loans Act of 2018”.

Section 2. Nullification of, and requirements for, guidance on deposit advance products

This section nullifies the final guidance from the Federal Deposit Insurance Corporation titled “Guidance on Supervisory Concerns 10 and Expectations Regarding Deposit Advance Products” 11 (78 Fed. Reg. 70552; November 26, 2013).

Section 3. Short-term, small dollar loans

This section states that no later than 24 months after the date of the enactment of this Act, the Federal banking agencies shall

each issue regulations that supersede any State law that sets standards for short-term small-dollar loans, and after providing for public notice and comment, to establish standards for short-term, small-dollar loans or lines of credit made available by insured depository institutions.

Section 4. Exemption from payday rule

This section states that the BCFP's final "Payday, Vehicle Title, and Certain High-Cost Installment Loans" (published at 82 Fed. Reg. 54472; November 17, 2017) shall not apply to a loan made by an insured depository institution on or after the date that the appropriate Federal banking agencies issues such regulation.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows: H.R. 4861 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report contemplated by Clause 3(e)(1)(B) of rule XIII of the House of Representatives.

MINORITY VIEWS

H.R. 4861 would allow banks to offer payday loans, a practice which has essentially been banned by banking regulators for 5 years. The bill would overturn five years of sound guidance from regulators and allow Federally-insured banks to offer exploitative deposit advance products, which are essentially payday loans made by banks. The bill would also direct the Federal banking agencies to conduct rulemaking and establish standards for these kinds of bank-issued payday loans without the participation of the Consumer Financial Protection Bureau (“Consumer Bureau”). The bill would also exempt payday loans made by insured depository institutions or credit unions from the Consumer Bureau’s 2017 “Payday, Vehicle Title, and Certain High-Cost Installment Loans” final rule (“payday rule”). Finally, the bill preempts State-level consumer protection laws.

Payday loans are notorious for trapping borrowers in a cycle of debt. In 2014, the Consumer Bureau found in a study that the payday lender business model often relies on borrowers needing to refinance existing loans, and the average payday loan customer takes out 10 loans per year and spends 11 months in payday loan debt.¹ Eighty percent of all payday loans are the result of “rollover” or re-borrowing, which is the practice of taking out a new payday loan before (or soon after) the old one is paid back.² In other words, the borrower could not afford the loan in the first place. According to a 2012 study from The Pew Charitable Trusts, payday loan borrowers disproportionately come from low-income households and those headed by minorities and single women.³ This is no coincidence, as a study released by the Center for Responsible Lending that same year shows payday loan companies actively target minorities by placing branches in African-American and Latino communities.⁴

The idea that insured depository institutions would, if presented with the opportunity, only offer affordable payday loan products is misguided, and has been disproven by history. Prior to 2013, some banks—such as Wells Fargo, Regions, Fifth Third, US Bank, Bank of Oklahoma, and Guaranty Bank—were making 300%-plus interest rate loans, which they called “deposit advance” products, but that functioned identically to non-bank payday loans.⁵

Deposit advance products are small-dollar, short-term loans that banks make available to customers with direct deposit. The cus-

¹ https://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf

² https://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf

³ http://www.pewtrusts.org/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf

⁴ <http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/predatory-profiling.pdf>

⁵ https://www.washingtonpost.com/business/economy/wells-fargo-us-bank-to-end-payday-loans-citing-tougher-regulation/2014/01/17/b65f0512-7f82-11e3-93c1-0e888170b723_story.html?utm_term=.e2aa419e0185

tomers is allowed to take out a loan, which is to be repaid from the proceeds of the next direct deposit. These loans typically have high fees, are repaid in a lump sum in advance of the customer's other bills, and often do not utilize prudent banking practices to determine the customer's ability to repay the loan and meet other necessary financial obligations.⁶ These bank-issued deposit advance products often operated as debt traps, with borrowers refinancing their payday loans multiple times and accumulating thousands of dollars in associated fees.⁷

For example, in a 2013 hearing on payday loans and older Americans with the Senate Special Committee on Aging,⁸ a 69-year-old California woman testified about how she ended up paying \$3,000 in fees on a \$500 deposit advance loan she took out with Wells Fargo.⁹ In 2013, in response to Congressional outcry against high-cost, bank-issued deposit advance loans, the Federal Deposit Insurance Corporation ("FDIC")¹⁰ issued guidance aimed at curbing the harms of the more predatory deposit advance products being offered by banks. At the same time, the Federal Reserve and Office of the Comptroller of the Currency ("OCC")¹¹ issued similar supervisory statements to the same effect.¹² H.R. 4861 would repeal this guidance.

H.R. 4861 would also direct the Federal banking agencies to coordinate and issue regulations, within 24 months, establishing standards for the offering of short-term, small-dollar loans or lines of credit by insured depository institutions. This would create a two-year gap where no regulatory guidance is in place for payday loans offered by certain banks. Furthermore, the National Credit Union Administration ("NCUA") and the Consumer Bureau are inexplicably left out of the rulemaking process, even though the bill would exempt loans offered by credit unions from the Consumer Bureau's final payday rule.

The Consumer Bureau's payday rule provides important, common-sense protections for payday loans, auto title loans, deposit advance products, and other longer term loans with balloon payments. Under the rule, lenders must conduct ability-to-repay analyses to determine whether a borrower can actually repay the full amount of the loan without re-borrowing. The rule also imposes requirements concerning lender withdrawal practices, disclosures, and recordkeeping.

Prior to the creation of the Consumer Bureau in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Federal banking agencies were tasked with the dual, and frequently incompatible, responsibilities of supervising financial institutions for safety and soundness as well as for compliance with consumer protection laws. This inherent regulatory conflict often resulted in financial institu-

⁶ <https://www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-182a.pdf>

⁷ Robert Benincasa, *Banks Come Under Fire for Filling in the Payday Loan Gap*, NPR (Dec. 5, 2013), <https://www.npr.org/2013/12/05/247182721/banks-fill-in-the-payday-loan-gap>.

⁸ <https://www.aging.senate.gov/press-releases/hearing-to-examine-the-impact-of-payday-lending-on-seniors>

⁹ Chris Morran, *Wells Fargo Customer Explains How \$500 Loan Resulted In \$3,000 Fees*, Consumerist (July 26, 2013), <https://consumerist.com/2013/07/26/wells-fargo-customer-explains-how-500-loan-resulted-in-3000-in-fees/>.

¹⁰ <https://www.fdic.gov/news/news/press/2013/pr13105a.pdf>

¹¹ <https://www.occ.gov/news-issuances/news-releases/2013/nr-ia-2013-182a.pdf>

¹² <https://www.federalreserve.gov/supervisionreg/caletters/caltr1307.htm>

tions' attention to consumer protections taking a subordinate role to safety and soundness concerns. As a result, Congress designed the Consumer Bureau with a primary mission to protect consumers. H.R. 4861 inappropriately weakens the Consumer Bureau's payday rule and places primary oversight for payday loans with the Federal banking agencies, in contravention of Congress's clear intent to vest primary consumer protection and oversight responsibilities with the Consumer Bureau.

H.R. 4861's preemption of State laws on payday loans would cause states to lose their current authority over abusive products by the banks that they charter and regulate. Fifteen States and the District of Columbia have enacted double-digit interest rate caps, which are effectively payday loan bans,¹³ and since 2005, no State has authorized high-cost payday loans. According to the Center for Responsible Lending, State-level payday loan bans save consumers more than \$2.2 billion annually in fees that would otherwise be paid to payday lenders.¹⁴ It would be irresponsible for Congress to subvert these States by repealing their authority to enact and enforce strong consumer protections.

While Congress must continue to seek solutions that address access to credit, this bill is not the answer. For these reasons, we oppose H.R. 4861.

MAXINE WATERS.
MICHAEL E. CAPUANO.
AL GREEN.
CAROLYN B. MALONEY.
NYDIA M. VELÁZQUEZ.
DENNY HECK.



¹³ <http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-shark-free-waters-aug2016.pdf>

¹⁴ <http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-shark-free-waters-aug2016.pdf>