



January 9, 2020

MARK YOUR CALENDER FOR JAN. 30TH CONGRESSIONAL HEARING ON “RENT-A- BANK SCHEMES”

The Financial Services Committee of the U.S. House of Representatives will have a full committee hearing on January 30th at 10:00 AM EST on “Rent-A-Bank Schemes and New Debt Traps: Assessing Efforts to Evade State Consumer Protections and Interest Rate Caps.” The witness list for the hearing has not been announced. The hearing will be broadcasted live on <https://financialservices.house.gov/live/>.

In November, a group of 61 consumer advocate groups sent letters to the FDIC, OCC and the Federal Reserve expressing their “deep concern” that banks are involved in “rent-a-bank schemes” that help high-cost and predatory lenders avoid state interest rate limits. The consumer advocate groups sent these letters after three public companies supporting consumer loan programs shared with investors how the companies plan to handle a new California law that places interest rate limits on loan amounts that previously did not have a rate cap.

A statement by the FDIC Chairwoman Jelena McWilliams that accompanied the FDIC’s notice of proposed rulemaking to codify the valid-when-made doctrine indicated that the FDIC views unfavorably arrangements in which an entity partners with a state bank for the sole purpose of evading a lower interest rate established under the laws of the entity’s licensing states.

We will summarize the hearing in a future alert. □

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