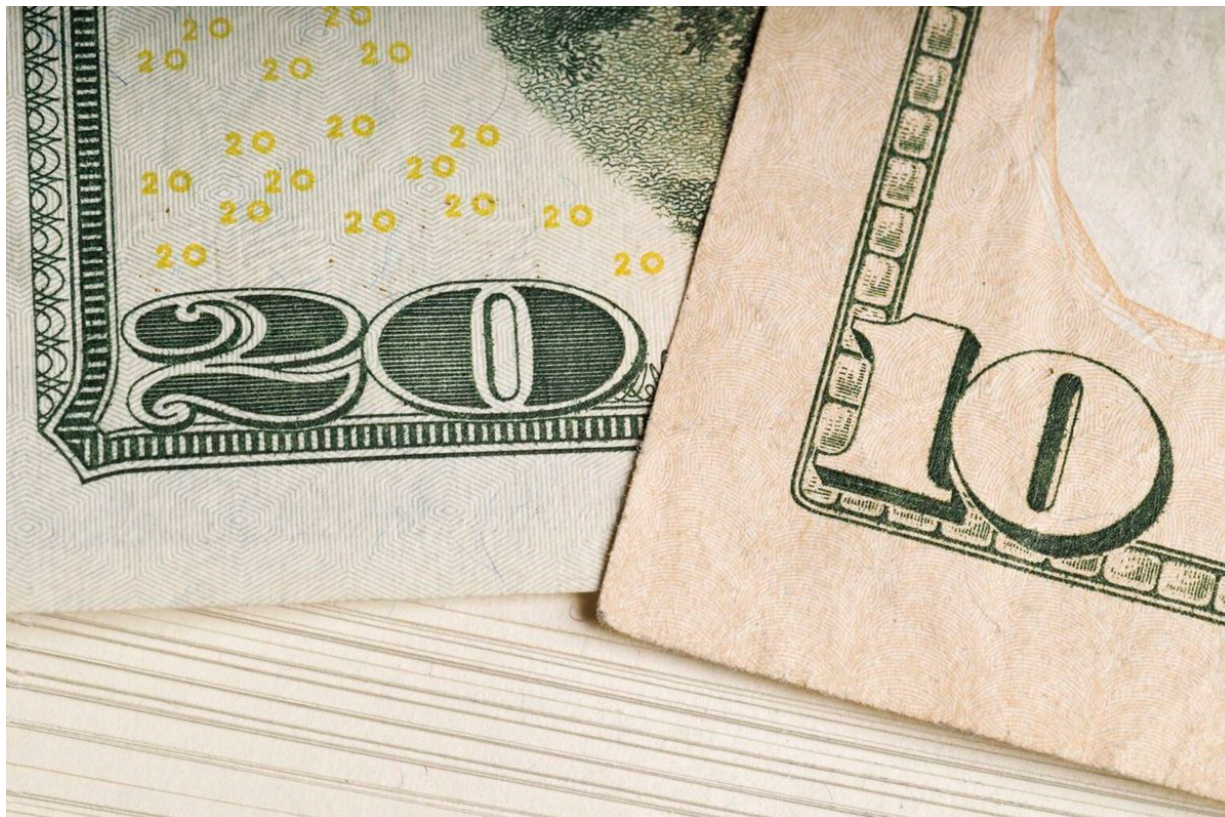


## SAFE Lending Act: Congressional effort to protect consumers

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Oregon's U.S. Sen. Jeff Merkley has teamed up with Reps. Suzanne Bonamici (D-OR-01) and Pramila Jayapal (D-WA-07) to introduce the Stopping Abuse and Fraud in Electronic (SAFE) Lending Act.

The SAFE Lending Act will protect consumers from deceptive and predatory practices that strip wealth from working families by cracking down on some of the worst abuses stemming from the payday lending industry, particularly in online payday lending, according to a release from Merkley.

Under the direction of the Trump Administration, the Consumer Financial Protection Bureau (CFPB) reversed course on national rules protecting consumers from payday loan predators. Without strong CFPB protections at a national level, state laws protecting consumers will be all the more important.

"Before we kicked the payday lenders out of Oregon, I saw up close how payday lenders trapped families in my blue collar neighborhood in an inescapable vortex of debt," Merkley said. "This legislation will ensure important consumer protections, protect state laws like Oregon's, and create guardrails to prevent consumers

from being trapped in an endless cycle of debt. American families work hard for their earnings, and they shouldn't end up with their financial foundations ruined just because of one medical emergency or a surprise car repair.”

“It is unacceptable that predatory lenders continue to trap consumers in a cycle of debt, taking advantage of families and individuals in times of financial distress,” Congresswoman Bonamici said. “I’m pleased to lead the SAFE Lending Act with Senator Merkley and Rep. Jayapal to protect consumers across the country from these dangerous, unscrupulous practices and to provide needed transparency.”

“Working families across the country do not deserve to have their hard-earned savings stripped away by payday lenders who continue to use predatory tactics to trap people into debt,” Congresswoman Pramila Jayapal said. “The SAFE Lending Act will provide important guardrails to make sure working people and their families are protected against payday lenders and puts an end to the dangerous practices that entrap consumers.”

Many states have enacted tough laws to stop abusive lending, but payday predators have continued using online lending to prey on consumers by hiding behind layers of anonymously registered websites and “lead generators” to evade enforcement.

Payday lenders with access to consumers’ bank accounts are also issuing the money from loans on prepaid cards, connected to those accounts, which include steep overdraft fees. When these cards are overdrawn, the payday lender then can reach into the consumer’s bank account and charge the overdraft fee, piling on further debts. Even when the lending violates the law, abusive payday lenders can empty consumers’ bank accounts before individuals have a chance to assert their rights.

The SAFE Lending Act of 2022 would put into law three major principles to make the consumer lending marketplace safer and more secure:

### **1. Ensure That Consumers Have Control of their Own Bank Accounts**

- Ensure that a third party can’t gain control of a consumer’s account through remotely created checks (RCCs) – checks from a consumer’s bank account created by third parties. To prevent unauthorized RCCs, consumers would be able to preauthorize exactly who can create an RCC on his or her behalf, such as when traveling.
- Allow consumers to cancel an automatic withdrawal in connection with a small-dollar loan. This would prevent an Internet payday lender from stripping a checking account without a consumer being able to stop it.

### **2. Allow Consumers to Regain Control of their Money and Increase Transparency**

- Require all lenders, including banks, to abide by state rules for the small-dollar, payday-like loans they may offer customers in a state. Many individual states currently have much tougher laws than the federal

government. There is currently no federal cap on interest or limit on the number of times a loan can be rolled over.

- Increase transparency and create a better understanding of the small-dollar loan industry by requiring payday lenders to register with the Consumer Financial Protection Bureau.
- Ban overdraft fees on prepaid cards issued by payday lenders who use them to gain access to consumers' funds and to add to the already exorbitant costs of payday loans.
- Require the CFPB to monitor any other fees associated with payday prepaid cards and issue a rule banning any other predatory fees on prepaid cards.

### **3. Ban Lead Generators and Anonymous Payday Lending**

- Some websites describe themselves as payday lenders but are actually “lead generators” that collect applications and auction them to payday lenders and others. This practice is rife with abuse and has led to fraudulent debt collection.
- The SAFE Lending Act bans lead generators and anonymously registered websites in payday lending.

Joining Merkley in the Senate, the SAFE Lending Act is co-sponsored by Senators Edward J. Markey (D-MA), Tina Smith (D-MN), Cory Booker (D-NJ), Bernie Sanders (I-VT), Dick Durbin (D-IL), Tammy Duckworth (D-IL), Chris Van Hollen (D-MD), Dianne Feinstein (D-CA), Ron Wyden (D-OR), Richard Blumenthal (D-CT), Kirsten Gillibrand (D-NY), and Martin Heinrich (D-NM).

Joining Bonamici and Jayapal in the House, the SAFE Lending Act is co-sponsored by Representatives Earl Blumenauer (D-OR-03), Jesús G. “Chuy” García (D-IL-04), Sylvia Garcia (D-TX-29), Sheila Jackson Lee (D-TX-18), Eleanor Holmes Norton (D-DC-At Large), and Katie Porter (D-CA-45).

The SAFE Lending Act of 2022 is endorsed by Americans for Financial Reform, Center for Responsible Lending, Consumer Action, Consumer Federation of America, National Association of Consumer Advocates, National Consumer League, National Consumer Law Center, Public Citizen, and UnidosUS.