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June 19, 2020

To: Arizona U.S. Representatives  
Tom O'Halleran, Ann Kirkpatrick, Raul Grijalva, Paul Gosar, Andy Biggs,  
David Schweikert, Ruben Gallego, Debbie Lesko, Greg Stanton

### Re: Your Support for a 36% Federal Usury Cap

Dear Representative \_\_\_\_\_,

Arizona consumer, faith, civil rights, veteran and community organizations write to urge your **support for a federal usury cap** to protect Arizona families from predatory loan rates especially during the economic crisis caused by the COVID-19 pandemic. A halt to triple-digit rate lending would benefit minority families who are disproportionately impacted by predatory lending. Arizonans who have lost their jobs or are struggling financially during this crisis need your help.

We urge you to **support H.R. 5050, the bi-partisan Veterans and Consumers Fair Credit Act**, sponsored by Reps. Jesus "Chuy" Garcia (D-IL) and Glenn Grothman (R-WI). This bill expands the protections provided to active duty service members through the Military Lending Act to veterans and all consumers to protect Americans from the financial quicksand of high-interest loans while enabling responsible credit options to thrive.

Polls show that *the vast majority of Americans (81%) support prohibiting all high interest loans* during the crisis. A strong majority of Arizonans support a 36% cap on payday loans.

A federal usury cap, such as the one in the Veterans and Consumers Fair Credit Act (VCFCA), would eliminate high-cost, predatory payday loans, auto-title loans, and similar forms of toxic credit that trap families in unaffordable debt. The bill extends the Department of Defense's **36% interest rate cap, to all Americans including veterans not protected by the MLA**, reestablishing usury laws that were in force in virtually every state throughout most of the twentieth century. It prevents hidden fees and loopholes used to evade state usury laws. Since these protections already apply to active duty servicemembers and their families, compliance costs should be low since creditors already know how to comply.

The protections of the VCFCA are especially important to Arizonans. In 2008 Arizonans voted by a 60 to 40% margin to sunset payday loans at about 400% APR so that consumer loans would be subject to the state's Consumer Lender law's 36% usury cap. Car title loans are still offered at up to 204% APR under a separate Arizona law that did not sunset when Prop 200 took effect

in 2010. Many payday lenders switched licenses to become title lenders and continue making predatory loans that put vehicle ownership at risk and trap consumers in balloon payment debt. Enacting the VCFCA will finish the job Arizona voters thought they had done when they overwhelmingly voted to end predatory payday lending.

Since 2008, the Arizona legislature has held the line on authorizing new forms of high-cost credit, even including usury protections for credit products in the Attorney General's Regulatory Sandbox Program. Despite efforts at the state level, out-of-state payday and online installment lenders are using banks to make consumer loans that violate Arizona's usury laws. While state regulators can and should address this evasion of state law, *a nationwide usury cap puts all creditors on a level playing field while permitting states to enact stronger consumer protections.*

We respectfully urge you to support the VCFCA and to communicate that support to your colleagues on the House Financial Services Committee.

Sincerely,



Kelly S. Griffith, Executive Director, **Center for Economic Integrity**

Co-Signers,

Diane Brown, Executive Director, **Arizona PIRG (Arizona Public Interest Research Group)**

Ellen Katz, Director, **William E. Morris Institute for Justice**

Alexander Kouvel, Ex-Treasurer, **Barrio Hollywood Neighborhood Association**

David Lujan, Director, **Arizona Center for Economic Progress**

Molly McGovern, Legislative Director, **UFCW Local 99**

Ann Nichols, Chair, **Southern Arizona Grandparent Ambassadors**

Penny Allee Taylor, Chief Public Policy Officer, **Valley of the Sun United Way**

Jay Young, Executive Director, **Southwest Fair Housing Council**

Cynthia Zwick, Executive Director, **Wildfire** (formerly Arizona Community Action Association)

Penelope Bussell

Giulio Grecchi, Member of the Society of St. Vincent de Paul, Tucson Council

Dan Torrington

Robert White, Community Advocate