

RICHARD J. DURBIN
ILLINOIS

COMMITTEE ON APPROPRIATIONS

COMMITTEE ON THE JUDICIARY

COMMITTEE ON RULES
AND ADMINISTRATION

ASSISTANT MAJORITY
LEADER

United States Senate
Washington, DC 20510-1304

March 4, 2009

332 DIRKSEN SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1304
(202) 224-2152
TTY (202) 224-8180

230 SOUTH DEARBORN, 38TH FLOOR
CHICAGO, IL 60604
(312) 353-4952

525 SOUTH EIGHTH STREET
SPRINGFIELD, IL 62703
(217) 492-4062

701 NORTH COURT STREET
MARION, IL 62959
(618) 998-8812

durbin.senate.gov

Dear Colleague:

I invite you to cosponsor S.500, the Protecting Consumers from Unreasonable Credit Rates Act.

To protect consumers from predatory lending practices and to help consumers use credit more wisely, the Protecting Consumers from Unreasonable Credit Rates Act would:

- Establish a new Fee And Interest Rate (FAIR) that incorporates all interest, fees, finance charges, and related costs of credit.
- Institute a federal maximum annualized FAIR limit equal to 36% and apply this cap to all open-end and closed-end consumer credit transactions, including mortgages, car loans, credit cards, overdraft loans, car title loans, refund anticipation loans, and payday loans.
- Encourage the creation of responsible alternatives to small dollar lending, by providing tolerances for initial application fees and for ongoing lender costs such as insufficient funds fees and late fees.
- Ensure that this federal law does not preempt stricter state laws.
- Create specific penalties for violations of the new cap and support enforcement in civil courts and by State Attorneys General.

As the economy worsens, American families face increasing pressures to make ends meet. Congress should act with urgency to help families struggling to pay their bills to keep more of their hard-earned money away from the predatory lenders that extract approximately \$27 billion in excessive fees and interest every year.

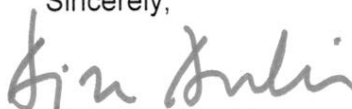
In 2006 Congress enacted a federal 36% annualized usury cap for certain credit products marketed to service members and their families, which curbed payday, car title, and tax refund lending around military bases. Fifteen states 15 states and the District of Columbia have enacted broadly applicable usury laws that protect borrowers from high-cost payday loans and many other forms of credit, while 34 states and the District of Columbia have limited annual interest rates to 36% or less for at least one types of consumer credit.

Yet various federal and state loopholes allow unscrupulous lenders to charge cash-strapped consumers 400% annual interest for payday loans on average, 300% annual interest for car title loans, up to 3500% annual interest for bank overdraft loans, between 50% and 500% annual interest for loans secured by expected tax refunds, and higher than 50% annual interest for credit cards that charge junk fees.

The Protecting Consumers from Unreasonable Credit Rates Act would help consumers dedicate more of their scarce resources to buying American goods and services, it would provide these resources without costing the taxpayers a penny, and it would help eliminate the wild boom-and-bust credit cycles that led to the current economic meltdown.

The bill is supported by over 100 national, state, and local groups, including Consumer Federation of American, National Consumer Law Center, Center for Responsible Lending, USPIRG, and Consumers Union. If you have any questions or would like to cosponsor, please contact Brad McConnell of my staff at brad_mcconnell@durbin.senate.gov or 4-1395.

Sincerely,



Richard J. Durbin
United States Senator