April 2, 2021

Dear Members of Congress,

We, the undersigned organizations, urge you to oppose any legislative and regulatory proposals that seek to limit Americans' access to quality credit. Consumer choice is a pillar of a free market economy. However, this freedom has been negated by politicians and unelected bureaucrats who are proposing legislation and regulations that will hurt the people they claim to help. For example: Congress, state legislatures, and regulatory agencies have waged a campaign against consumer borrowing and free market lending by seeking to impose mandatory interest rate caps, among other measures.

Unplanned and emergency expenditures can be detrimental to a person's monthly budget. According to the Federal Reserve, approximately 76 million Americans barely make enough to cover their monthly bills and not enough to save for contingencies. Many people also do not meet the credit score, and other requirements, to obtain a personal loan from a bank. Additionally, lower income neighborhoods do not have the same access to banks as middle-to-high income neighborhoods do. This is also true of Black and Hispanic neighborhoods.

A free relationship between borrowers and lenders is critical - especially during times of need. Limiting the amount of interest a lender can charge on unsecured, high-risk loans, will only limit the resources available for them to provide to their communities. The Federal Reserve notes that banks cannot make money on loans with an interest rate of at least 36 percent unless the loan is for several thousands of dollars. By capping interest rates, banks would be more incentivized to deny high-risk borrowers the opportunity to obtain a loan, while only serving those who are not the most in need.

The problem that many lower-income Americans are facing is the encroachment of federal and state governments into the free market lending industry. Last Congress, Senator Bernie Sanders (I-VT) and Representative Alexandria Ocasio-Cortez (NY-14) proposed legislation that would effectively "destroy" the short-term lending industry. This Congress, Senate Banking, Housing, and Urban Development Committee Chairman Sherrod Brown (D-OH) and Senator Chris Van Hollen (D-MD) introduced legislation to eliminate the Department of the Treasury's True Lender Rule, which would eliminate the regulatory certainty it provides to banks and third-party processors to issue short-term loans. House Financial Services Committee Chairwoman Maxine Waters (CA-43) recently convened a hearing titled "How Invidious Discrimination Works and Hurts: An Examination of Lending Discrimination and Its Long-Term Economic Impacts on Borrowers of Color." Additionally, Illinois recently enacted legislation to place interest rate caps on short-term loans, with other state legislatures currently considering the same.

All of these actions at every level of government threatens consumer freedom and the livelihoods of millions of Americans. The best solution for lower-income Americans is to have access to quality credit in the free market. Some argue that placing caps on interest rates will solve the issue with loan defaults; however, what some will not tell you is that the major negative effect is that it will reduce supply and force consumers in the market to turn to less reputable sources of money, like borrowing against their car or home.

Imposing interest rate caps will eliminate needed credit options for consumers. For these reasons, we urge you to oppose legislation and regulations seeking to limit your constituents' ability to have full access to quality credit.

Sincerely,

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FreedomWorks

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