

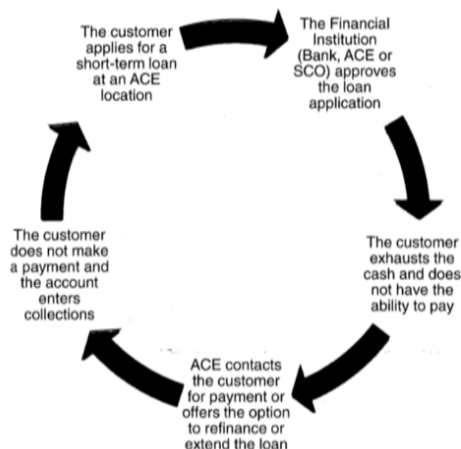
# VETERANS AND CONSUMERS FAIR CREDIT ACT (VCFCA)

*The bipartisan Veterans and Consumers Fair Credit Act extends the Military Lending Act's 36% interest rate cap on consumer loans to all Americans, especially Veterans and Gold Star Families*

Collections New Hire Training

Participants Guide

## The Loan Process, Continued



**High-cost predatory loans trap families in cycles of debt.** In many states, consumers can take out loans marketed as helping them meet immediate or emergency needs. Yet these loans carry astronomical triple-digit interest rates which ultimately cause the vast majority of borrowers to be unable to afford repayment of the loan. A full 75% of loan fees come from victims who fail to pay back their initial loan, instead taking out another loan to bridge the gap and stacking debt on top of debt.

**Americans are suffering from high-cost, predatory loans.** Payday loans and similar forms of credit forces too many into spiraling debt that destabilizes families and compromises futures. Families straddled with these loans are unable to afford basic living expenses, are subject to vehicle repossessions, abusive debt collections, bank and credit union account closures, and face harmful health effects including high blood pressure, anxiety, depression, and even suicide.

**Veterans deserve better.** While the Military Lending Act (MLA) currently caps interest rates on loans to active duty service members and their families, Veterans and Gold Star Families are not protected. These members of the military community are especially susceptible to the financial and mental health problems associated with predatory payday loans. Predatory lenders often target Veterans and their families and use specialized marketing to appeal to members of the military. The protections that applied to Veterans when they were active duty no longer apply, leaving no safety net.

**Predatory debt traps are unamerican and limit consumer freedom.** All thirteen original states had traditional usury limits capping interest rates. The founders of the Republic including Washington, Hamilton, Jefferson, and Franklin all believed interest rate caps protect human liberty because they prevent citizens from becoming ensnared in debt traps. Debt traps reduce freedom by entangling the public in cycles of repeat borrowing. In the words of our first President, “[t]here is no practice more dangerous than borrowing money ... for when money can be had in this way, repayment is seldom thought of in time ... Exertions to raise it by dint of industry ceases. It comes easy and is spent freely and many things indulged in that would never be thought of, if to be purchased by the sweat of the brow. In the meantime, the debt is accumulating like a snowball in rolling.” -George Washington



**Usury and faith.** Most major world religions oppose predatory lending. For example, the Bible condemns usury in over a dozen passages.

**Usury limits have overwhelming public support.** Polling data and every ballot referendum every held on the subject prove that *super-majorities* of both Republican, Democratic, and independent voters support reestablishing traditional interest rate limits on predatory, high-cost lenders. For example, in the 2016 election 75.58% of South Dakota voters capped rates at 36%.

The *Veterans and Consumers Fair Credit Act* would eliminate high-cost, predatory payday loans, auto-title loans, and similar forms of credit in all 50 states by:

- **Reestablishing a simple, common sense limit on predatory lending.** Similar to speed limits and seat belt laws, the expanding the Department of Defense's 36% interest rate cap would simply reestablish state usury laws that were in force in virtually every state throughout the twentieth century
- **Preventing hidden fees and loopholes.** The 36% rate cap is based on the Pentagon's successful rules that include all additional fees or add-ons. A federal law is necessary to stop evasions and protect all Americans.
- **Preserving access to credit.** The Department of Defense's approach is time-tested and proven. Active duty service members are still obtaining all the credit they need from banks, credit unions, finance companies, fintech companies, and retailers.
- **Maintaining low industry compliance costs from compromise rules already in effect.** Compliance costs for industry will be low because creditors *already* understand how to comply for active duty military and their families.
- **Upholding stronger state protections.** States like Arkansas, South Dakota, North Carolina, Colorado, New Hampshire, and Montana already have strong interest rate caps. Existing laws will not be impacted because the bill does not preempt any provision of State law that provides greater protections to consumers.