



PRESS RELEASE

Attorney General Frosh Opposes Proposal to Circumvent Laws Against Predatory Lenders

BALTIMORE, MD (January 22, 2020) – Maryland Attorney General Brian E. Frosh, as part of a bipartisan coalition of attorneys general, submitted a comment letter opposing a proposal by the Office of the Comptroller of the Currency (OCC) to exempt payday and other high-cost lenders from state usury laws. Usury laws prevent predatory lenders from taking advantage of consumers by charging high interest rates on loans.

If finalized, the OCC’s proposed regulations would enable predatory lenders to circumvent these caps through “rent-a-bank” schemes, in which banks act as lenders in name only, passing along their state law exemptions to non-bank payday lenders. These arrangements would allow lenders to charge consumers rates that far exceed the rates permissible under Maryland law.

“Maryland has strong laws to protect consumers from this type of predatory conduct. This rule would undermine them. It would allow predatory lenders to take advantage of Maryland’s consumers,” said Attorney General Frosh.

States have long played a critical role in protecting residents from high-cost loans. While federal law provides exemptions from state law for federally-regulated banks, state law continues to protect residents from predatory lending by non-banks such as payday, auto title, and installment lenders. Congress affirmed that role with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, preserving more protective state laws. Yet, the new regulations proposed by OCC would extend the National Bank Act exemption for federally-regulated banks to non-bank debt buyers such as payday lenders. The proposed rule is a sharp reversal in policy and a deliberate attempt to evade state laws that target predatory lending.

The multistate coalition argues in the comment letter that the OCC’s attempt to extend National Bank Act preemption to non-banks conflicts with the National Bank Act and Dodd-Frank Act, exceeds the OCC’s statutory authority, and violates the Administrative Procedure Act.

In submitting today’s comment letter, Attorney General Frosh joins the attorneys general of California, Colorado, the District of Columbia, Hawaii, Illinois, Iowa, Massachusetts, Michigan, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Dakota, Virginia, Washington State, and Wisconsin.