

Stopping Abuse and Fraud in Electronic (SAFE) Lending Act

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Summary

Payday lending is an abusive and deceptive practice that strips wealth from working families. In the past, states like Oregon were littered with storefronts offering short-term loans with interest rates and fees that would explode on consumers, eventually accruing interest of 500% or higher. In recent years, many states have put in place tough laws to stop abusive lending.

However, payday lending remains a problem online, with Internet sites operating both within the U.S. and offshore, allowing them to subvert existing consumer laws. While in theory, enforcement is possible, it is often difficult in practice. Internet lenders hide behind layers of anonymously registered websites and “lead generators.” Even when the lending violates the law, abusive payday lenders can empty a consumer’s bank account before they have a chance to assert their rights. Payday lenders are also issuing prepaid cards, allowing lenders to reach into consumer accounts and rack up even more fees on their payday loans. We must put an end to these bad practices once and for all.

Congresswoman Bonamici’s federal payday legislation empowers consumers to better protect themselves against predatory lending practices. The SAFE Lending Act has four main provisions:

❖ Ensures That Consumers have Control of their own Bank Accounts

- Ensures that a third party doesn’t gain control of a consumer’s account through remotely created checks (RCCs), checks from a consumer’s bank account created by third parties. To prevent unauthorized RCCs, consumers will be able to preauthorize exactly who can create an RCC on his/her behalf (such as when traveling).
- Allows consumers to cancel a debit (just like they can cancel a check) in connection with a small-dollar (payday) loan. This would prevent an Internet payday lender from stripping a checking account without a consumer being able to stop it.

❖ Allows Consumers to Regain Control of their Money and Increases Transparency

- Requires all lenders, including banks, to abide by state rules for the small-dollar, payday-like loans they may offer customers in a state. Only states have laws to prevent 400% APR loans.
- Increases transparency in the small-dollar (payday) loan industry by requiring payday lenders to register with the Consumer Financial Protection Bureau (CFPB).
- Bans overdraft and predatory fees that add to the already exorbitant costs of payday loans by requiring the CFPB to draft a rule banning any fees they deem to be predatory on prepaid cards issued by payday lenders.

❖ Bans Lead Generators and Anonymous Payday Lending

- Some websites describe themselves as payday lenders but are actually “lead generators” that collect applications and auction them to payday lenders and others. This practice is rife with abuse and has even led to fraudulent debt collection.
- The SAFE Lending Act bans lead generators and anonymously registered websites in payday lending.

❖ Directs the Government Accountability Office to Conduct a Study on Access to Capital on Indian Lands.