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Hawaii Attorney General Criticizes Proposal That Would Allow Predatory Lenders to Take Advantage of Most Vulnerable Communities

HONOLULU – Hawaii Attorney General Clare E. Connors, as part of a bipartisan coalition of attorneys general led by California Attorney General Xavier Becerra, Illinois Attorney General Kwame Raoul and New York Attorney General Letitia James, 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 state law.

"Extending the federally-regulated carve-out to non-banks severely undermines state protections," said Attorney General Connors. "The federal government should not facilitate the ability of predatory lenders to take advantage of our communities."

States have long played a critical role in protecting residents from high-cost loans. While federal law provides a carve-out 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.

A copy of the comment letter can be found [here](#).

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