August 20, 2020
Acting Comptroller of the Currency
Brian Brooks
400 7th St SW
Washington, DC 20219

Re: Comments on Proposal "National Banks and Federal Savings Associations as Lenders"
Docket ID: OCC-2020-0026 RIN 1557-AE97

Dear Comptroller Brooks,

The Indiana Institute for Working Families advocates for public policies to help Hoosier families achieve financial well-being. We value, gather, and translate quantitative and qualitative data to communicate the opportunities and challenges that Hoosiers experience. We advance well-being by promoting evidence-based solutions and building coalitions to engage in direct and strategic conversations with policymakers and the public.

Our organization is situated within the Indiana Community Action Association. Indiana's 22 Community Action Agencies provide direct service to families all across our state to help them achieve and maintain financial stability.

We strongly oppose the OCC's proposed rule "National Banks and Federal Savings Associations as Lenders." This rule will create backdoor channels to undermine Indiana's interest rate limits and trap Hoosiers in high-cost debt. It will also fuel a "race to the bottom" as in-state lenders seek to compete with those who partner with out-of-state banks to cross state lines.

In 2002, the Indiana General Assembly allowed payday lenders to make loans at rates that exceeded our state's criminal loansharking threshold of 72% APR. As in a number of other states, payday lenders in Indiana can charge over 300% APR on small loans. These lenders have drained more than $300 million in fees from some of our state's poorest residents over the past five years - on loans that average only $350 for two weeks. Based on data from Experian, and supported by our interviews with former payday loan store employees, the median payday borrower's income is just over $19,000 per year.

Fortunately, our state maintains lower interest rate caps on larger loans. In 2019, a large and diverse coalition of faith-based organizations, veteran's groups, non-profits, and civil rights groups came together to oppose industry lobbying efforts to lift these caps, and our legislators wisely sided with consumer advocates and the public. Polling showing Hoosiers strongly support interest rate caps, and hope to see our legislators cap payday loans at 36% APR or below, as the U.S. Department of Defense and a number of other states have done.

Without strong regulatory guidance, high-cost rent-a-bank lenders are already making their way into Indiana. Recently, staff at the Institute heard from a borrower, Julie*, in Northern Indiana who fell prey to these lenders. Julie lives on just over $1000/month disability income and had turned to online loans when she fell behind on storefront payday loans. Opploans, partnering with a bank in Utah, lured her in with a $900 loan at 160% APR. Far from the lifeline needed, this loan ate up a significant share of her income and drove her to seek assistance as she fell further and further behind.

This proposed rule would ensure that predatory lenders could take individuals like Julie to court so long as the bank they partner with puts their name on the origination documents. It will drain more resources from our charitable and non-profit institutions as they strive to help borrowers like Julie and not just those who fall behind on $350 payday loans.

Less than two decades ago, OCC Comptroller John Hawke called rent-a-bank arrangements "an abuse of the national charter." Comptroller Brooks, do not let your legacy be sanctioning these arrangements and providing them with safe harbor. Please withdraw the OCC proposed rule, "National Banks and Federal Savings Associations as Lenders."

Sincerely,

Jessica Fraser
Director
Indiana Institute for Working Families

*Name changed to preserve anonymity at the borrower's request