



America's
Credit Unions



DCUC
DEFENSE CREDIT UNION COUNCIL



October 27, 2025

The Honorable Richard Durbin
United States Senate
711 Hart Senate Building
Washington, D.C. 20510

The Honorable Sheldon Whitehouse
United States Senate
530 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Richard Blumenthal
United States Senate
530 Hart Senate Building
Washington, D.C. 20510

Re: Financial trade associations' views of fee and interest rate cap legislation

Dear Senators Durbin, Whitehouse, and Blumenthal:

The undersigned trade associations, representing depository institutions that serve millions of American consumers, are united in opposition to legislative proposals to institute new government price controls for consumer loans, such as the *Protecting Consumers from Unreasonable Credit Rates Act* (S. 2781), that would impose a national “fee and interest rate” cap of 36%. This would have a devastating effect on access to credit for individuals and small business owners who rely on access to well-regulated credit products. Numerous studies have shown that even modest government price controls raise costs rather than lowering them.

Ensuring access to credit for all consumers is a shared goal among policymakers and financial institutions. Small dollar loans, credit cards, and other forms of short-term credit are critical to helping people meet emergency expenses, avoid disruptions in pay, and manage misalignments in the timing of their expenses and income. The proposed 36% fee and interest cap would make

it more difficult for many consumers to obtain credit, thereby harming the very consumers the legislation seeks to protect.

It is a shared goal to ensure consumers, including those on the margins with thin or no credit profiles, or with less-than-perfect credit, have access to safe and competitive credit options. While this legislation may aim to curb the much higher rates charged by payday lenders and other less-regulated providers, in reality, its impact would extend far beyond payday lenders to the broader consumer credit market to cover affordable small dollar loans (including “accommodation” loans) that depository institutions are being encouraged to offer, credit cards, personal loans, and overdraft lines of credit. As a result, many consumers who currently rely on credit cards or personal loans would be forced to turn to more expensive, less regulated short-term lenders, including pawn shops, online lenders – or worse – loan sharks, unregulated online lenders, and the black market.

A 36% rate cap, however calculated, will mean depository institutions will be unable to recover costs that enable them to sustainably offer affordable small dollar loan products. Costs include not only cost of funds, but also costs related to compliance, customer service, IT, underwriting, administration, and defaults (including losses). For a three-month \$500 loan, costs would generally amount to \$55 which if charged to the consumer would equate to a 44% rate. Such a rate would be prohibited under the legislation. Depository institutions could choose either not to offer small dollar loans or, to comply with the cap, increase the minimum amount of the loan, which would unnecessarily force consumers to borrow more than they want.

Credit card customers will also be impacted by the proposed all-in rate cap. Including annual fees and other fees in the calculation will cause credit cards to exceed the cap, resulting in tightened underwriting practices, lower credit lines, and reduced cardholder rewards. Such a cap will also inhibit innovative credit cards with non-credit features designed to attract underserved groups because even a nominal annual fee will result in an all-in rate that exceeds 36%. Simply put, issuers would be compelled to reduce or eliminate access to credit for all but the lowest-risk customers.

History has shown that fee and interest rate caps reduce access to credit, especially for those with no or marred credit histories. They also limit consumer choice and shrink competition. There is a significant body of empirical evidence that illustrates this dynamic, including:

- After a rate cap was imposed in Illinois, credit access for unsecured installment loans fell and the financial well-being of higher-risk borrowers worsened.¹
- A similar rate cap in Oregon was responsible for harming, not helping, consumers on average, and caused deterioration in the overall financial condition of Oregon households. For example, short-term borrowers in Oregon were more likely to pay bills late and overdraft their checking accounts.²

¹ Bolen, J. B., Elliehausen, G., and Miller, Jr., T. (2023), “[Credit For Me but Not For Thee: The Effects of the Illinois Rate Cap](#).”

² Zinman, J., (2008), “[Restricting Consumer Credit Access: Household Survey Evidence on Effects Around The Oregon Rate Cap](#).”

- In Chile, a rate cap resulted in more than 80 percent of consumers being made worse off,³ including 200,000 families that were cut out of the credit market entirely, with young, poor, and less-educated families bearing the brunt of the burden.⁴
- In the United Kingdom, a rate cap on high-cost, short-term loans caused many families to lose access to loans, with those affected likely to be young, unemployed, and poor.⁵

Moreover, the legislation specifies use of the “military annual percentage rate” (MAPR) as defined in the Military Lending Act Rule to calculate the cost of credit. In addition to including fees not included in the familiar federal rate calculation used today to measure and explain the cost of credit (i.e., the annual percentage rate or APR), the MAPR of that rule is flawed, i.e., mathematically incorrect, and overstates the cost of credit – as it assumes a fee imposed once a year is imposed 12 times a year. For example, a credit card with a \$10 annual fee and 18% interest rate will have an MAPR of 138% if the balance is \$100 in the month the annual fee is charged.

This legislation, while intended to help consumers, will actually reduce access to credit for millions of consumers, particularly subprime borrowers who rely on affordable small dollar loans, credit cards, and other depository institution products for short-term financing needs. Fee and interest rate caps will also discourage development of innovative products, especially those designed for the under-served market.

Sincerely,

American Bankers Association
 America’s Credit Unions
 Association of Military Banks of America
 Bank Policy Institute
 Consumer Bankers Association
 Defense Credit Union Council
 Independent Community Bankers of America
 National Bankers Association

³ Cuesta, J., and Sepúlveda, A. (2019), [“Price Regulation in Credit markets: A Trade-off between Consumer Protection and Credit Access.”](#)

⁴ Madeira, C. (2019), [“The Impact of Interest Rate Ceilings on Households Credit Access: Evidence from a 2013 Chilean Legislation.”](#) Journal of Banking and Finance, 106:166-179.

⁵ Ferrari, A., Masetti, O., and Ren, J. (2018), [“Interest Rate Caps: the Theory and the Practice,”](#) World Bank Group Policy Research working paper, no. WPS 8398.