

# WISPIRG

## For Immediate Release

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## **U.S. Rep. Glenn Grothman leads fight to rein in payday lending** *Bipartisan bill would outlaw astronomical interest rates*

**MADISON** - Wisconsin's U.S. Rep. Glenn Grothman (R, Fond du Lac) introduced bipartisan legislation in Congress today to rein in predatory, high-interest consumer loans. Payday loans come with average annual interest rates of [486 percent in Wisconsin](#) and, together with car title and installment loans, trap thousands of Wisconsinites in hard-to-escape debt each year. The Veterans and Consumers Fair Credit Act, co-sponsored by Rep. Jesús "Chuy" García of (D-Ill.) in the House and Sens. Merkley (D-Or.), Reed (D-R.I.), Brown (D-Oh.) and Van Hollen (D-Md.) in the Senate, would cap interest rates on consumer loans at 36 percent APR.

"Usury has been condemned since Biblical times," **said Grothman**. "Historically, the United States has had usury laws, putting a guard rail up for borrowers. As more and more loans are given online, it becomes more difficult for states to deal with the problem of snowballing debt. We already protect military service members under the Military Lending Act, which means that we have recognized the predatory nature of high-interest loans to our men and women in uniform. This raises the question – if it is wrong to allow predatory lenders to target our service members, why is it right to let them target the rest of the community?"

Payday, car title and installment loans are often marketed as fast cash for people struggling to make ends meet. But the majority of borrowers are unable to afford repayment and are forced into a spiral of reborrowing that leads to mounting indebtedness. The Center for Responsible Lending [estimates](#) that payday and car title loans strip Wisconsinites of more than \$111 million in fees and interest each year.

"An interest rate cap is the simplest, most effective way to stop these debt trap loans," **said Peter Skopec, director of the Wisconsin Public Interest Research Group (WISPIRG)**. "We're thrilled to see the bipartisan leadership of Congressman Grothman and his colleagues on this critical issue. Their work will help protect consumers from predatory loans that cause so much harm in our state and throughout the country."

In addition to its broad consumer protections, the Veterans and Consumers Fair Credit Act also includes provisions to safeguard military veterans. The bill extends the interest rate cap that currently protects active-duty servicemembers under the Military Lending Act to veterans. Sixteen states and the District of Columbia already cap interest rates on consumer loans at 36 percent or less. The bill's introduction comes as leaders at the federal Consumer Bureau (CFPB) [seek to roll back](#) important protections for payday loan borrowers.

"Many of our clients end up in bankruptcy due to predatory, high-cost loans," **concluded Karen Bauer, staff attorney at the Legal Aid Society of Milwaukee**. "This bill will help Wisconsin consumers avoid the debt trap that results from exorbitant interest rates."

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*The Wisconsin Public Interest Research Group (WISPIRG) is a non-profit, non-partisan public interest advocacy organization that stands up to powerful interests whenever they threaten our health and safety, our financial security, or our right to fully participate in democratic society.*

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