



CENTER FOR CAPITAL MARKETS
C O M P E T I T I V E N E S S

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August 18, 2021

The Honorable Sherrod Brown
Chair
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey:

The U.S. Chamber of Commerce opposes S. 2508, the “Veterans and Consumers Fair Credit Act.” This bill would severely limit access to credit products for all consumers by capping the permissible annual percentage rate (APR) regardless of whether they are an active duty servicemember.

The evidence is clear that Americans need access to responsible and affordable credit options. According to the Federal Reserve Board, “If faced with an unexpected expense of \$400 ... 27 percent [of adults] would borrow or sell something to pay for the expense, and 12 percent would not be able to cover the expense at all.”¹ Prohibiting financial institutions from offering loans priced to borrower risk could force consumers to pursue other options for credit. These options would offer fewer consumer protections, including loans outside of the regulated financial system.

The Chamber released a report earlier this year finding that recent calls for removing risk-based pricing in favor of a uniform pricing system will hurt, not help, underserved communities, the credit invisible, and consumers with subprime credit. The Chamber’s report, *The Economic Benefits of Risk-Based Pricing for Historically Underserved Consumers in the United States*, notes that even under a uniform pricing system (e.g. APR cap), lenders must evaluate applications and determine if an individual’s risk is acceptable.² Imposing a cap on the cost of credit would not cause financial institutions to offer loans with a lower APR; it would simply prevent them from offering loans to higher-risk consumers at all.

¹ Federal Reserve Board of Governors. Report on the Economic Well-Being of U.S. Households in 2018 (May 2019), available at <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>

² Pham, N. D., & Donovan, M. (2021, Spring). The Economics of Risk-Based Pricing for Historically Underserved Consumers in the United States. The U.S. Chamber of Commerce. https://www.centerforcapitalmarkets.com/wp-content/uploads/2021/04/CCMC_RBP_v11-2.pdf

The Veterans and Consumers Fair Credit Act would prevent financial institutions from offering various popular credit products because they would be unable to recover their costs. This would be especially challenging for community financial institutions. Financial institutions would be required to calculate APR as defined by the Military Lending Act (Military Annual Percentage Rate or “MAPR”). A creditor would not be able to impose a MAPR greater than 36 percent in connection with an extension of consumer credit that is closed-end credit or in any billing cycle for open-end credit. The MAPR includes interests cost, and also fees such as credit insurance or fees for an ancillary product sold in connection with the transaction.

The Chamber urges the Committee to not report this legislation in its current form. Rather, we look forward to the opportunity to work with the Committee on alternative legislation that promotes affordable access to credit for all Americans.

Sincerely,

A handwritten signature in black ink, appearing to read 'TK', with a long horizontal flourish extending to the right.

Tom Quadman

cc: Members of the Senate Committee on Banking, Housing and Urban Affairs