

**July 29, 2020**

**ATTORNEY GENERAL RAOUL FILES LAWSUIT AGAINST THE OFFICE OF THE COMPTROLLER OF THE CURRENCY CHALLENGING RULE THAT ENABLES PREDATORY LENDING SCHEMES**

**Chicago** — Illinois Attorney General Kwame Raoul today joined California Attorney General Xavier Becerra and New York Attorney General Letitia James in [filing a lawsuit](#) challenging the federal Office of the Comptroller of the Currency's (OCC) recently announced final rule that exempts buyers of high-interest loans from state interest-rate caps.

The OCC rule takes aim at state laws that protect consumers from predatory lenders. Under existing federal law, federally regulated banks are exempt from state interest-rate caps. The OCC's final rule extends these exemptions to any lender that buys loans that are originated by an exempt federal bank. The final rule worsens the problem of "rent-a-bank" schemes, in which predatory lenders partner with banks that act as the lender in name only so that the predatory lenders can evade state interest-rate caps. The OCC's rule allows predatory lenders that would otherwise be subject to Illinois interest-rate caps to charge consumers interest that far exceeds the rates permissible under Illinois law.

"States have long played a critical role in protecting residents from high-cost loans, and I am committed to continuing to do so" Raoul said. "This rule would ease regulations on predatory lenders and allow them to prey on vulnerable residents, locking them into unaffordable high-cost loans and the resulting cycle of debt that is extremely difficult to escape."

While federal law provides a carve out from state interest-rate caps 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 the importance of state interest-rate limits and other laws with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), preserving more protective state laws. Yet the OCC's new rule extends the National Bank Act exemption for federally regulated banks to non-bank debt buyers.

In the lawsuit, Raoul and the coalition argue that the OCC's decision to extend National Bank Act preemption to non-banks violates the Administrative Procedure Act because, among other things, it conflicts with the National Bank Act, fails to comply with requirements established by the Dodd-Frank Act, and exceeds the OCC's statutory authority.