Mr. RUSH. Mr. Speaker, today I introduce the Payday Borrower Protection Act of 2001.

With a slowing economy, payday loan companies are springing up in storefronts all across America. Payday lenders provide short-term loans with minimum credit checks to consumers who are in need of ready cash, but these predatory businesses exist to exploit the financial situation many low- and middle-income families face. To the financially strapped consumer, these loans may seem like the answer to a prayer. However, with exorbitant interest rates ranging from 261% to 913% annually, these transactions are a recipe for disaster.

Payday lenders often utilize "loan shark" tactics, such as threatening civil or criminal action against the borrower to pressure them into more expensive roll over loans. Fearing retribution, borrowers sink further into debt. Similar to the Greek mythological character, Sisyphus, who was condemned to an eternity of rolling a boulder uphill, payday borrowers become trapped in a perpetual cycle of fees and payments which serve only to line the pockets of the payday lender. A 1999 Indiana Department of Financial Institutions audit revealed that, on average over a twelve-month period, consumers renewed their loans ten times; one consumer, six times.

Mr. Speaker, my bill would bring fairness to the payday loan industry. Specifically, it would:

- Require payday lenders to be licensed under state law;
- Place a ceiling of 36 percent on the annual interest rate a payday lender can charge;
- Limit the period of maturity of any loan to two weeks for each $50 of loan principal;
- Limit the principal amount of a payday loan to less than $500;
- Prohibit threatening criminal or civil action in order to force a borrower into rolling over a payday loan;
- Prohibit rolling over any deferred deposit loan unless 30 days has elapsed from the termination of any prior payday loan; and
- Provide a private cause of action, criminal and civil penalties for violation of this act.

Mr. Speaker, I urge my colleagues to join me in ensuring that consumers are protected from the predatory practices of payday lenders by supporting the Payday Borrower Protection Act of 2001.