

111TH CONGRESS  
1ST SESSION

# H. R. 1640

To amend the Truth in Lending Act to protect consumers from usury,  
and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 2009

Mr. HINCHEY (for himself, Mr. COHEN, Mr. ELLISON, Ms. LEE of California, Mr. McDERMOTT, Mr. GEORGE MILLER of California, and Ms. WOOLSEY) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To amend the Truth in Lending Act to protect consumers  
from usury, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Interest Rate Reduc-  
5 tion Act”.

6 **SEC. 2. NATIONAL CONSUMER CREDIT USURY RATE.**

7 Section 107 of the Truth in Lending Act (15 U.S.C.  
8 1606) is amended by adding at the end the following new  
9 subsection:

1 “(f) NATIONAL CONSUMER CREDIT USURY RATE.—

2 “(1) LIMITATION ESTABLISHED.—Notwith-  
3 standing subsection (a) or any other provision of  
4 law, but except as provided in paragraph (2), the an-  
5 nual percentage rate applicable to any extension of  
6 credit may not exceed 15 percent on unpaid bal-  
7 ances, inclusive of all finance charges. Any fees that  
8 are not considered finance charges under section  
9 106(a) may not be used to evade the limitations of  
10 this paragraph, and the total sum of such fees may  
11 not exceed the total amount of finance charges as-  
12 sessed.

13 “(2) EXCEPTIONS.—

14 “(A) BOARD AUTHORITY.—The Board may  
15 establish, after consultation with the appro-  
16 priate committees of Congress, the Secretary of  
17 the Treasury, and any other interested Federal  
18 financial institution regulatory agency, an an-  
19 nual percentage rate of interest ceiling exceed-  
20 ing the 15 percent annual rate under paragraph  
21 (1) for periods of not to exceed 18 months,  
22 upon a determination that—

23 “(i) money market interest rates have  
24 risen over the preceding 6-month period;  
25 and

1           “(ii) prevailing interest rate levels  
2           threaten the safety and soundness of indi-  
3           vidual lenders, as evidenced by adverse  
4           trends in liquidity, capital, earnings, and  
5           growth.

6           “(B) TREATMENT OF CREDIT UNIONS.—  
7           The limitation in paragraph (1) shall not apply  
8           with respect to any extension of credit by an in-  
9           sured credit union, as that term is defined in  
10          section 101 of the Federal Credit Union Act  
11          (12 U.S.C. 1752).

12          “(3) PENALTIES FOR CHARGING HIGHER  
13          RATES.—

14                 “(A) VIOLATION.—The taking, receiving,  
15                 reserving, or charging of an annual percentage  
16                 rate or fee greater than that permitted by para-  
17                 graph (1), when knowingly done, shall be  
18                 deemed a violation of this title, and a forfeiture  
19                 of the entire interest which the note, bill, or  
20                 other evidence of the obligation carries with it,  
21                 or which has been agreed to be paid thereon.

22                 “(B) REFUND OF INTEREST AMOUNTS.—If  
23                 an annual percentage rate or fee greater than  
24                 that permitted under paragraph (1) has been  
25                 paid, the person by whom it has been paid, or

1           the legal representative thereof, may, by bring-  
2           ing an action not later than 2 years after the  
3           date on which the usurious collection was last  
4           made, recover back from the lender in an action  
5           in the nature of an action of debt, the entire  
6           amount of interest, finance charges, or fees  
7           paid.

8           “(4) CIVIL LIABILITY.—Any creditor who vio-  
9           lates this subsection shall be subject to the provi-  
10          sions of section 130.”.

11 **SEC. 3. CIVIL LIABILITY CONFORMING AMENDMENT.**

12          Section 130(a) of the Truth in Lending Act (15  
13 U.S.C. 1640(a)) is amended by inserting “section 107(f),”  
14 before “this chapter”.

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