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July 6, 2026

BY ELECTRONIC MAIL

Benjamin W. McDonough, Deputy Secretary of the Board
Board of Governors of the Federal Reserve System
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Request for Public Hearing on Enova International Application
91 Fed. Reg. 3725 (Jan. 28, 2026)

Dear Mr. McDonough,

Pending before the Board of Governors of the Federal Reserve is an application by Enova International to acquire Grasshopper Bank, N.A. Enova is a nonbank lender that offers high-cost loans to consumers and small businesses under the trade names CashNetUSA and NetCredit. These loans frequently carry APRs in the triple digits and result in default, trapping consumers in cycles of costly lending. Enova, however, is currently prohibited from offering its high-interest loans in many states with limits on high-cost lending that prevent the spread of harmful products. We, the undersigned Attorneys General for New York, California, Colorado, Connecticut, Illinois, Maine, Maryland, Massachusetts, Minnesota, Nevada, New Jersey, North Carolina, Oregon, and Vermont, along with the Hawaii Office of Consumer Protection, write to urge the Board to hold public hearings to confirm that Enova's application is not merely an effort to evade these critical state laws, and to deny Enova's application in the absence of such assurances.

For centuries, states have exercised their sovereign authority to protect their citizens from high-cost lending through limits on usury.[1] As New York's Court of Appeals explains, these laws have "religious and moral underpinnings," they focus "on the protection of persons in weak bargaining positions from being taken advantage of," and they reflect state legislatures' "consistent

[1] N.Y. G.O.L. § 5-511.

condemnation of the evils of usury."[2] These laws have survived numerous and repeated attempts at evasion, with courts in New York and elsewhere long-recognizing that a "usurer usually seeks to conceal the usury, and to accomplish his purpose by indirect methods."[3]

Enova, operating as CashNetUSA and NetCredit, among other brand names, offers high-cost, high-interest loans directly to consumers and small businesses throughout much of the United States. Enova's loans disclose lines of credit or loan terms with APRs well above 36%,[4] and in many cases with APRs above 200%.[5] For example, one Enova website provides an example of a $600 loan repaid with biweekly $100 payments over nearly 8 months, resulting in more than $1,400 repaid and an APR of nearly 300%.[6] Unsurprisingly, these products result in frequent consumer default, with Enova publicly reporting charge-off rates in excess of 50%. In the wake of default, consumers face harassment, lawsuits, and wage garnishment, among other hardships.

As a result of the State AG's enforcement of state usury laws and other consumer protections, Enova does not currently offer all of its products in New York or other jurisdictions. This is precisely what Congress intended. Specifically, in late 2020, the Office of the Comptroller of the Currency issued a final rule that would have permitted national banks to partner with nonbanks to issue loans that would be marketed, offered, and sold by the nonbanks, but for which the national banks would be permitted to charge any desired interest rate, regardless of state law[7]—the very same practice in which Enova currently engages in partnership with a state-chartered bank.[8] Congress, however, overturned this final rule under the Congressional Review Act, making clear that nonbanks may not evade state usury laws through partnerships with national banks.[9]

Enova, through its proposed acquisition, seeks to evade Congress and circumvent state limits on high-cost or usurious lending. Specifically, though Grasshopper Bank is currently headquartered in New York—and thus subject to New York's usury limits[10]—Enova proposes to move the headquarters to Utah, where no such limit exists. The high-cost, high-charge-off lending practices that characterize Enova's business is not traditional bank lending, and Enova should not be permitted to use a bank charter to spread such practices throughout the United States.

The State AGs are deeply concerned that approval of Enova's acquisition will result in the proliferation of high-cost credit throughout the United States, in contravention of centuries of state limits on abusive lending. We respectfully request that the Board hold a public hearing on

2 *Adar Bays, LLC v. GeneSYS ID, Inc.*, 37 N.Y.3d 320, 331–32 (2021).

3 *Id.* at 332.

4 *See, e.g.*, https://www.netcredit.com/rates-and-terms/alaska.

5 *See, e.g.*, https://www.cashnetusa.com/rates-and-terms/alabama.

6 Alex Horowitz & Chase Hatchett, *Rent-a-Bank Payday Lenders' New Filings Show 55% Average Loss Rates*, PEW Charitable Trusts (Jan. 9, 2023), *available at* https://www.pew.org/en/research-and-analysis/articles/2023/01/09/rent-a-bank-payday-lenders-new-filings-show-55-average-loss-rates.

7 85 Fed. Reg. 68742 (Oct. 30, 2020).

8 Horowitz & Hatchett, *supra* n.6.

9 *See* 167 Cong. Rec. 81, at S2437 (adopting CRA resolution "to prevent this end-run on usury caps").

10 12 U.S.C. § 85.

Enova's application to confirm that Enova will at no time sell its high-cost, usurious loans in states where such products are illegal, regardless of its status as a national bank. And, in the absence of such assurances, the State AGs respectfully urge the Board to deny Enova's application.

Respectfully submitted,

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July 15, 2026

Submitted Via Email

The Honorable Jonathan Gould
Comptroller
Office of the Comptroller of the Currency
400 7th St., SW Suite 1E-216
Washington, DC 20219

The Honorable Kevin Warsh
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Travis Hill
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Comptroller Gould, Chairman Warsh, and Chairman Hill,

We, the undersigned Attorneys General, write to raise our serious concerns about the possibility of granting bank privileges to high-cost lenders and other nontraditional entities without adequate safeguards to protect consumers, investors, and the financial system.

In the past year, there has been an increase in both online lenders moving beyond bank partnerships and seeking to become banks themselves, and fintech companies applying to enter the banking system, including cryptocurrency exchanges and payment platforms. Approval of these charters would mark an undeniable shift in the types of entities that enter our national banking system, and it should be cause for alarm. Some of these companies engage in high-risk practices that threaten both consumers and the stability of the financial system. Two such applicants have a history of lending at triple-digit interest rates in violation of state laws. They now seek to become national banks with the ability to circumvent state interest rate limits and other state consumer protections. Allowing such companies into the national banking system without guardrails empowers and incentivizes predatory lending and needlessly leaves consumers vulnerable to harm.

As state enforcers, we are often the first line of defense and have historically detected dangers to consumers and the financial system before the full extent of the harm came to fruition. We sounded the alarm about subprime mortgages well in advance of the 2008 financial crisis because we saw first-hand the types of unsustainable loans being made in our states. Now, we sound the alarm again. As the regulators that manage national bank charters, bank holding companies, and deposit insurance, you collectively determine who is allowed access to national banking privileges and what responsibilities and conditions they must meet. We urge you to prohibit such access to entities that have a track record of brazenly attempting to evade state law and disregarding consumer protections.

I. Granting National Bank Privileges to Predatory Lenders Severely Erodes State Autonomy and Consumer Protections.

Nearly every state in the union has long sought to protect its residents from high-interest lending. Forty-five states and D.C. have interest rate caps on small to mid-size installment loans; 36% is a widely accepted maximum rate for very small loans, with lower maximum rates for larger loans.[1] This unequivocally demonstrates the will of the people — regardless of political party — to prevent unaffordable lending. These laws are in place to help ensure that borrowers can afford to repay their loans. In their absence — or when preempted — lenders are free to engage in riskier lending without regard for consumers' ability to repay the loan by using excessively high interest rates to ensure they can still profit even if the borrower defaults.[2]

Some high-cost lenders often evade state interest rate caps by relying on rent-a-bank schemes. For instance, Enova and OppFi each currently partner with banks that are chartered primarily in states with no interest rate caps and offer loans with interest rates reaching 195% and beyond.[3] These arrangements are deliberate efforts to avoid state usury laws and to extract profit from those that are in desperate need of money. Rent-a-bank schemes, however, do not provide guaranteed avoidance of state laws as these arrangements can be challenged.[4] To avoid any challenge and have full access to national banking privileges, these very lenders are now seeking national bank charters, which would allow them to lend across the country without any interest rate caps and without the need for rent-a-bank partnerships and the legal hurdles that accompany them.

Federal supervision and enforcement are no substitute for state interest rate limits, which are the most effective way to protect consumers from unfair, abusive, and unaffordable loans in the absence of a national interest rate cap. By acquiring national banks, high-cost lenders would succeed in unlocking the benefits of the national banking system for the express purpose of expanding their predatory lending strategies to the national stage and circumventing the interest rate caps of 45 states and D.C. Granting these companies' applications would not only reward the outright evasion of state laws and hinder states' abilities to protect their consumers, but it would also invite other high-cost lenders to seek their own bank mergers — or form rent-a-bank arrangements with these newly chartered banks to spawn even more predatory lending schemes.

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[1] National Consumer Law Center (NCLC), State Annual Percentage Rate (APR) Caps for $500, $2,000 and $10,000 Installment Loans (Dec. 2025).

[2] NCLC, Predatory Installment Lending in the States: How Well Do the States Protect Consumers Against High-Cost Installment Loans? (Dec. 2025); NCLC, Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default (July 27, 2016).

[3] *See, e.g.,* OppLoans, Rates, Terms and Licenses, https://www.opploans.com/rates-and-terms/ (last visited May 20, 2025) (showing loans at up to 195% APR).

[4] For instance, rent-a-bank partnerships have drawn legal challenges over whether the fintech partner is actually the true lender operating in these arrangements, hiding behind a sham partnership with the "rented" bank. *See, e.g., Opportunity Financial, L.L.C. v. Hewlett*, No. 22STCV08163 (Cal. Super. Ct.); *Dist. of Columbia v. Elevate*, 554 F. Supp. 3d 125, 132 (D.D.C. 2021).

Granting national bank privileges to predatory fintechs would also irreparably harm consumers. These kinds of lenders specifically target the financially vulnerable and further trap them in cycles of debt. They market high-interest products to borrowers with damaged credit.[5] Loans are extended despite borrowers' inability to repay, and as a result, borrowers frequently refinance and default.[6] This is built into the business model — due to the high interest rates charged, lenders recoup the initial loan amount quickly and sufficiently profit even when extraordinarily high portions of borrowers ultimately default.[7] Lenders walk away profiting from those they know are financially desperate, and borrowers end up owing more in interest and fees alone than what they initially borrowed. Consumers are further entrenched in a cycle of high-cost borrowing, exacerbating their financial instability and the corrosive stress of debt. Allowing high-cost fintech lenders to become national banks would lead to more consumers becoming burdened with unaffordable loans while simultaneously crippling our ability to enforce the state laws intended to protect consumers from these debt traps.

II. Granting Charters to High-Cost Lenders and Emerging Nontraditional Companies Endangers Safety and Soundness and the Stability of the Financial Marketplace.

Expanding banking privileges to high-cost lenders not only undercuts consumer protections and state laws but also is fundamentally inconsistent with principles of safe and sound banking. Bank acquisitions like those proposed by Enova and OppFi would convert a nonbank, high-cost lender into a national bank and a bank holding company. The role of the prudential regulators is paramount in ensuring the safety and soundness of the U.S. banking system. Regulators are tasked with determining the risk posed to consumers and the financial system in their assessment of whether companies like Enova and OppFi should be allowed to enter the banking ecosystem.[8] Enova and OppFi's history of high-cost lending and flagrant efforts to evade applicable laws render such applications inconsistent with the standard for approval under the law and approving them would undermine the integrity of the national banking system.

As noted above, high-cost fintech lenders like Enova and OppFi do not adequately ensure that borrowers have the ability to repay their loans. Consequently, they have high default and charge-off rates. Enova has charge-off rates over 50%.[9] Charge-off rates anywhere close to that level have never been tolerated in a national bank.

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[5] *See, e.g.,* OppLoans, Loans for Bad Credit, https://www.opploans.com/personal-loans/bad-credit-loans/ (last visited May 14, 2026); NetCredit, Loans for Bad Credit, https://www.netcredit.com/bad-credit-loans (last visited May 14, 2026).

[6] Center for Responsible Lending, Lost Opportunities: How OppFI Traps Borrowers in Unaffordable Debt (Jan. 27, 2026).

[7] Carter, C., Saunders, L., & Saunders, M. (2016), *Misaligned Incentives: Why High Rate Installment Lenders Want Borrowers Who Will Default*, National Consumer Law Center, https://www.nclc.org/wp-content/uploads/2022/09/report-misaligned-incentives.pdf.

[8] For instance, the Federal Reserve Board is required to consider "the extent to which a proposed acquisition, merger or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system." 156 12 USC § 1842(c)(7).

[9] Pew Charitable Trush, Rent-a-Bank Payday Lenders' New Filings Show 55% Average Loss Rates (Jan. 9, 2023).

Currently, high-cost rent-a-bank loans are issued by a small number of FDIC-supervised banks primarily chartered in states without interest rate limits. Losses on loans made by lenders renting state bank charters are over 25 times higher than bank credit cards,[10] raising serious questions about whether high-cost lenders like Enova and OppFi could fulfill national bank charter obligations if they are allowed to become national banks themselves. For example, the FDIC's Standards for Safety and Soundness require banks to "establish and maintain prudent credit underwriting practices," "make an informed lending decision and to assess risk," and "assess the ability of the borrower to repay the indebtedness in a timely manner."[11] Annual loss rates over 50% suggest that it would be difficult for such a lender to operate "in a safe and sound manner" required by federal banking rules,[12] yet Enova and OppFi, with the help of their state-chartered bank partners, are making loans with such high losses today. Similarly, these high-default products — which are the core of these companies' business models — plainly cannot be reconciled with the prudential regulators' 2020 Interagency Lending Principles for Offering Responsible Small-Dollar Loans, which provide that, "[r]esponsible small-dollar loan programs generally reflect . . . [a] high percentage of customers successfully repaying . . . in accordance with original loan terms, which is a key indicator of affordability . . . and appropriate underwriting."[13]

In addition to charter applications from high-cost lenders, we are also alarmed by the extension of banking privileges to cryptocurrency firms and other emerging platforms. National trust charters and industrial loan charters should not be used as a regulatory shortcut to avoid state laws and state supervision while sidestepping the responsibilities and protections of traditional bank charters, including systemic risk management and regulatory oversight. Such expansion will amplify risk and instability to the financial system by embedding these risky business models into the fabric of the financial system. It will also trigger a race to the bottom, incentivizing other institutions to seek similar arrangements and threatening to destabilize the entire financial system.

Banking charters come with enormous privileges and benefits, including access to federal payments rails, the discount window, and emergency credit facilities, as well as exemption from certain state law protections. Opening the door to such benefits without corresponding safeguards exacerbates the excessive risk and experimentation of these entities and puts consumers and the banking system in danger. It also inappropriately broadens what constitutes a "bank" and undermines the credibility of the banking system. It is questionable whether many of these companies could meet the standards required by federal law for a traditional bank charter, including the threshold requirements to operate in a safe and sound manner, maintain sufficient capital, sustain profitability, and have a robust compliance management system that adequately identifies risks and ensures that the company is complying with its legal obligations. Further, allowing companies with higher risk profiles — such as companies issuing stablecoins that could scale to trillions of dollars or offering new risky financial products — to access banking privileges while avoiding the obligations that justify such privileges, introduces systemic risk

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[10] *Id.*
[11] 12 CFR § 364.
[12] *See* 12 CFR § 5.20(f).
[13] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Interagency Lending Principles for Offering Responsible Small-Dollar Loans (May 2020).

without the corresponding safeguards, deposit insurance, or resolution mechanisms that protect consumers and the market when traditional banks fail.

Approving these charters prevents states from enforcing certain critical state-level consumer protections but also permits these entities to hold themselves out to the public as banks and benefit from the privileges and trust reserved for banks without the corresponding responsibilities. Traditional banks with community reinvestment programs, robust compliance infrastructures, and comprehensive consumer protections may also face a competitive disadvantage when compared to companies operating under an alternative charter while enjoying comparable market credibility.

While streamlining, efficiency, and innovation are important goals, it is critical that our federal regulators do not approve banking privileges for companies and products that undermine safety and soundness, consumer and investor protection, market integrity, financial stability, and oversight. Reducing friction cannot come at the expense of state protections and the ability of states to enforce their laws. Novel companies and products need more supervision and oversight — not less — to adequately review risk and protect consumers and the banking system from harm. Regulators must ensure that there are adequate guardrails to protect consumers, investors, and the structural integrity of the financial marketplace before allowing new types of entities to access national banking privileges.

Given the implications of these new charter applications for consumers and the broader economy, we ask that you allow ample opportunity for public comment and hold public hearings before making a decision about whether to approve their entry into the banking system. Further, we strongly urge you to deny bank charters, bank holding company applications, bank mergers and acquisitions, deposit insurance, or other banking privileges for companies that make high-cost loans that evade state usury laws or operate with amplified risks to the financial system and endanger consumers.

Respectfully Submitted,

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