Independent Women Opposes Credit Card Interest Cap Amendment to the GENIUS Act

May 22, 2025

Dear Senators,

Independent Women, which fights to enhance people's freedom, opportunities, and well-being, opposes Amendment 2239, which has been filed under the **Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act** (S. 1582).

This bill would create a 10% annual percentage rate (APR) cap for credit cards. Unfortunately, this policy would severely restrict the availability of this type of credit for millions of Americans, especially the most economically vulnerable.

This amendment would especially hurt poorer Americans and would cause lower-income consumers to be pushed out of the banking system into shadowy black markets, where they risk exploitation.

Interest rate caps end up hurting borrowers with large debt burdens because they reduce their access to credit. This can create a negative spiral effect, including increased loan defaults and restricted access to emergency credit.

In March 2021, Illinois enacted a 36% interest rate cap. As a result, by 2024, **lender licenses decreased by 64%**, meaning fewer financial choices for fewer borrowers. Researchers with the Federal Reserve System's Board of Governors and two universities in Mississippi hypothesized that Illinois' move would cut the credit availability for higher-risk borrowers. This proved correct as these borrowers—**more likely to be minorities, women, and low-income people**—struggled to improve their financial lives after the Illinois law took effect.

These economists compared results from Illinois with a control group in a neighboring state, Missouri, which didn't impose this type of interest-rate cap. They **found** "that the interest-rate cap decreased the number of loans to subprime borrowers by 44 percent." This means fewer poor families are able to solve their credit needs. Most borrowers reported to the researchers that "they have been unable to borrow money when they needed it following the imposition of the interest-rate cap. Further, only 11 of the respondents answered that their financial well-being increased following the interest-rate cap, and 79 percent answered that they wanted the option to return to their previous lender."

4 Weems Lane, #312 · Winchester, VA 22601 | **iwv.org** | 202-807-9986

Credit cards are powerful vehicles for financial inclusion in the United States. The **Consumer Financial Protection Bureau also reported** that credit cards are the most effective way for “credit invisibles” to become credit visible in America. This means people who are vulnerable and living on society’s margins, because they establish a credit history, are eventually able to qualify for auto loans, home loans, and other important lending products.

Credit cards are already highly regulated financial products. This law effectively removes access to them among people who have few alternatives. These individuals are forced to tap into other markets, including pawn shops and off-the-books loans (which can be very unstable and with far higher interest rates than credit cards or other more regulated products) and other methods to fulfill their needs.

Senators should heed the lessons from the Land of Lincoln and avoid exporting these bad policies nationwide. We encourage all lawmakers to oppose the inclusion of this interest rate cap amendment to the GENIUS Act.

Respectfully,

Patrice Onwuka
Director, Center for Economic Opportunity
Independent Women

4 Weems Lane, #312 · Winchester, VA 22601 | **iwv.org** | 202-807-9986