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Week 9

Credit Reform, Predatory Lending, and the American Dream

"Cap the predators. Restore the Dream."

1. The Problem

Predatory lenders charge 300% APR to people who can least afford it. A person who borrows \$500 at 300% APR and pays it back over a year pays back \$1,500 — \$1,000 poorer than before they borrowed. That is not credit access. That is a debt trap dressed as a financial service. 33 million Americans are unbanked. The credit system treats poverty as a permanent condition rather than a problem with a solution.

2. The Governing Principle

No American is ever worse off for borrowing money from a federally regulated institution. A 300% APR loan does not help a struggling borrower — it extracts money from them. Losing access to a product that makes you poorer is not a harm. It is a benefit. The federal banking option fills the real credit access gap with real credit at real rates. The government does not profit from poverty.

3. The Specific Policy

Predatory Lending Reform

- **36% APR cap on all consumer lending from federally regulated institutions:** payday loans, installment loans, auto title loans, and all consumer credit from banks, credit unions, and any institution with a federal charter or deposit insurance. The Military Lending Act already caps rates at 36% for active duty servicemembers. The same protection extends to every American.
- **The credit market contraction argument answered:** critics argue capping rates eliminates credit access for high-risk borrowers. The honest response: a 300% APR loan is not credit access — it is financial predation. The real credit gap is filled by the Week 16 Federal Banking Option: small loans at Treasury rate plus 3%. That is real credit access. That is the alternative. The people predatory lenders claim to serve have a better option.
- **FinCEN business identity verification — mandatory before account opening:** banks verify that a business physically exists and is actively operating before processing transactions. Shell company fraud costs the federal government and legitimate small businesses billions annually. The verification is digital, takes minutes, and closes a massive fraud vector.

American Dream Credit Program

- **Federal credit guarantee for qualified borrowers with documented income and a defined repayment plan:** targets credit-invisible borrowers or those with damaged credit history due to documented circumstances — medical debt, job loss, predatory lending victimization — not chronic poor financial management. The guarantee reduces lender risk sufficiently to enable 36% APR lending to borrowers who currently face 200-300% rates or no access at all.
- **Credit rehabilitation pathway — documented recovery is a qualifying event:** a person who has completed a documented financial counseling program, maintained employment for 12 months, or completed a MAT program (Week 5) qualifies for the American Dream Credit Program. The path from credit damage to credit access is defined, achievable, and not dependent on time alone.
- **Student loan refinancing at Treasury rate plus 1%:** federal student loans refinanced to Treasury rate plus 1% — currently approximately 5-6% versus the 6.5-9% rates many borrowers carry. Private student loan holders with documented financial hardship refinance into the federal program. The federal government should not profit from student loan interest beyond the cost of capital.

Financial Identity Protection

- **Free federal credit lock — permanent, instantaneous, reversible:** every American locks and unlocks their credit file through a federal portal at no cost, instantaneously, with no waiting period. Credit bureaus honor federal locks within minutes. The credit bureau industry charges for this service they did not earn the right to provide.
- **Supplemental Federal Financial Identity Number:** a separate credential for financial transactions — usable in place of SSN for all non-government financial transactions — issued to any American who requests one. SSN is not a password. It is an identifier in the hands of millions of criminals from hundreds of data breaches. A supplemental credential limits the damage.

4. Estimated Cost

American Dream Credit guarantee program: federal exposure estimated at \$5-10 billion per year in guarantee losses — substantially less than the social cost of predatory lending victimization including bankruptcy, homelessness, and lost productivity. Student loan refinancing interest rate reduction: approximately \$8-12 billion per year in forgone interest revenue. Federal credit lock portal: \$200 million Year 1 for system development, minimal ongoing cost. Postal banking startup: \$500 million Year 1 capital, self-funding within 3 years from loan interest and fee revenue.

5. Year 1 Implementation and Measurable Result

Year 1 measurable result: 36% APR cap effective for all federally regulated institutions within 180 days; Federal Financial Identity Number available to any requesting American within 180 days; American Dream Credit Program accepting applications within 120 days; FinCEN business identity verification system operational for all new business account openings within 90 days.