Banking and Finance Law Daily Wrap Up, CREDIT, DEBIT AND GIFT CARDS—Senate Democrats' bill would allow states to cap consumer interest rates, (Feb. 2, 2026)

Banking and Finance Law Daily Wrap Up

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By Nora Macaluso

Average interest rates were nearly 22 percent as of late 2025, the lawmakers said.

Senators Sheldon Whitehouse (D-R.I.), Elizabeth Warren (D-Mass.), Jack Reed (D-R.I.), and Jeff Merkley (D-Ore.) have introduced legislation that would allow states to cap interest rates on credit cards and consumer loans.

The senators said the legislation, if enacted, would help Americans repay some of the nation's record $1.23 trillion in credit card debt, which they said is being driven by increasing interest rates and fees. Average interest rates were nearly 22 percent as of late 2025, the senators said, citing Federal Reserve Bank of New York data.

"Our bill will restore to states the ability to protect their own citizens from predatory rates and help get families more breathing room on their credit card bills," Whitehouse said.

The senators said the Empowering States' Rights to Protect Consumers Act would restore state powers removed in 1978, when the Supreme Court ruled that a national bank is only required to abide by the lending laws of the state in which the bank is based. That decision, they said, led banks to reorganize and move to states with weak consumer lending protections.

"Today, credit card divisions of major banks are in just a few states, consumers nationwide lack protection from excessive rates and fees, and local banks face unfair out-of-state competition," the senators said.

"Americans are struggling under mountains of credit card debt with astronomically high interest rates of 25, 30, even 35%," said Warren, the ranking Democrat on the Senate Banking Committee. "Congress must act to bring down those interest rates at a federal level – but it's also critical that states have the ability to deliver relief. Anyone who supports lowering costs for Americans should support this bill to allow states to do their jobs."

Merkley cited the need to "empower states to put in place protections to help break this cycle of debilitating debt for families across the nation."

The legislation would allow states to impose limits on national bank lending within their states. "Notwithstanding any other provision of law, the annual percentage rate applicable to any consumer credit transaction other than a residential mortgage transaction, including any fees associated with such a transaction, may not exceed the maximum rate permitted by the laws of the State in which the consumer resides," the text reads.

The Capital Good Fund and Americans for Financial Reform endorsed the legislation.

"The pandemic, inflation, and the current affordability crisis have made clear that consumers need both access to credit and strong protections against predatory actors," Capital Good Fund Founder and CEO Andy Posner said.

Tom Feltner, associated director of consumer policy at Americans for Financial Reform, said states' role in consumer financial protection "has only become more vital since the administration has attempted to shutter the Consumer Financial Protection Bureau, halt its efforts to bring down costs, and roll back its work to enforce critical financial protections."

Companies: Americans for Financial Reform; Capital Good Fund

LegislativeActivity: ConsumerCredit CreditDebitGiftCards InterestUsury

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