June 18, 2019

The Honorable Mike Crapo
Chairman
Senate Committee on Banking,
Housing and Urban Affairs
Washington, DC 20510

The Honorable Maxine Waters
Chairwoman
House Committee on Financial
Services
Washington, DC 20510

Dear Chairman Crapo and Chairwoman Waters,

The Free & Fair Markets Initiative ("FFMI") is a nonprofit watchdog committed to scrutinizing harmful financial practices and promoting a fair, modern marketplace that works for all Americans. Through FFMI, concerned consumers, small business owners, and taxpayers are coming together to stand up to the harmful practices of Big Tech companies and ensure that they do their fair share in our local communities, for their employees and everyday Americans.

We are writing you to ask that you formally investigate Amazon.com, Inc.'s ("Amazon") engagement in potentially dangerous lending practices through its Amazon Lending and Amazon Payment programs, most recently with the introduction of its new Amazon Credit Builder credit card. This program raises serious concerns that Amazon may be taking advantage of economically vulnerable families, guiding them into debt traps through potentially deceptive practices or predatory lending schemes.

We are deeply troubled by the potential hidden consumer costs of the Amazon Credit Builder program, the complex and possibly deceptive terms and conditions of the card that are likely to confuse consumers and lead them into debt traps, and Amazon's partnership with Synchrony Financial.

Credit builder programs provide loans to individuals with no credit history or bad credit who would otherwise be prevented from accessing lines of credit. When designed well, these programs may help some consumers establish or rebuild their credit history. However, some credit builder programs can create the same harmful dynamics as the heavily-criticized "Buy Here, Pay Here" auto financing programs, which were used to disguise aggressive loan repayment structures and target at-risk individuals — especially servicemembers and communities of color — that left them susceptible to defaulting on the loans and the severe consequences of defaulting.[1]

[1] See, Feds Obtain First-Ever Settlement over Allegedly Discriminatory 'Buy Here, Pay Here' Car Dealership Financing, February 16, 2015 https://www.jdsupra.com/legalnews/feds-obtain-first-ever-settlement-over-a-72688/

The consumer costs of the Amazon Credit Builder card cannot be justified by actual credit risk. The standard variable purchase APR for the Amazon Credit Builder credit card is 28.24 percent[2] — nearly 60 percent higher than the national average credit card interest rate.[3] The Amazon Credit Builder card also requires a deposit from consumers.[4] Deposits significantly reduce or even eliminate the credit risk of lending to a consumer with no or poor credit history, which raises further questions about the card's exceedingly high interest rate. Additionally, Amazon requires consumers to agree to a $119 Prime membership fee in order to fully take advantage of the program's benefits.[5] These high-cost terms pose a risk to economically vulnerable consumers that policymakers cannot ignore and raises concerns about the potential for disparate impact on communities of color.

Amazon's partnership with Synchrony Financial (formerly known as GE Capital Retail Bank) is an additional cause for concern. The Department of Justice and Consumer Financial Protection Bureau ("CFPB") entered into a consent decree with Synchrony Financial in 2014 after investigating the bank's alleged history of using deceptive practices in marketing credit card products to Spanish-speaking consumers.[6] Synchrony was ordered to pay $225 million in relief to consumers harmed by these schemes, the federal government's largest credit card discrimination settlement to date.[7]

Furthermore, Synchrony is currently subject to an ongoing investigation by the CFPB into possible violations of the Consumer Financial Protection Act and the Truth in Lending Act regarding their marketing and servicing of deferred-interest credit cards.[8]

Regulators and consumer advocates should be extremely concerned that Amazon is partnering with a financial institution that has such a history of controversial and discriminatory practices to market a consumer credit product toward economically vulnerable families.

We encourage you to call on Amazon executives to testify before your respective Committees and include the following specific questions:

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[2] Important Details About the Amazon.com Store Card, Amazon Prime Store Card, Amazon.com Store Card Credit Builder and Amazon Prime Store Card Credit Builder Offers and Benefits, https://www.amazon.com/b?node=18139564011, last accessed June 14, 2019.

[3] See, Kelly Dilworth, Rate survey: Average card APR holds steady at record high of 17.73 percent, CreditCards.com, June 12, 2019, https://www.creditcards.com/credit-card-news/rate-report.php

[4] Important Details About the Amazon.com Store Card, Amazon Prime Store Card, Amazon.com Store Card Credit Builder and Amazon Prime Store Card Credit Builder Offers and Benefits.

[5] Ibid.

[6] Synchrony Bank f/k/a GE Capital Retail Bank, Consent Order, 2014-CFPB0007 (June 19, 2014), avail. https://www.consumerfinance.gov/administrative-adjudication-proceedings/administrative-adjudication-docket/synchrony-bank-fka-ge-capital-retail-bank/.

[7] CFPB Orders GE Capital to Pay $225 Million in Consumer Relief for Deceptive and Discriminatory Credit Card Practices (June 19, 2014), https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-ge-capital-to-pay-225-million-in-consumer-relief-for-deceptive-and-discriminatory-credit-card-practices/.

[8] See, In re: Synchrony Financial, 2018-MISC-Synchrony Financial-0001 (May 21, 2019).

1. What portion of Amazon's annual revenues is derived from consumer credit products?

2. How, if at all, is the performance of Amazon's consumer credit products factored into executive compensation?

3. What are the delinquency and default rates on Amazon's current consumer credit products? Which of its consumer credit products have the highest rates of delinquency and default?

4. In designing the terms for the Credit Builder card, how did Amazon arrive at the 1:1 ratio for the level of security deposit required relative to the credit limit? Will consumers receive interest earned on the deposited funds held by Amazon/Synchrony?

5. Why is the interest rate on the Amazon/Synchrony card higher than that for similar consumer credit products, particularly as the card is secured by a consumer deposit?[9]

6. How does Amazon target advertisements or other promotional efforts for its consumer credit products, particularly the Credit Builder card?

7. How does Amazon choose which products are eligible for special financing if purchased with an Amazon store card? Are the products that are eligible for special financing the same across all of Amazon's consumer credit products? If there are differences, why and what are they?

8. Amazon's most recent 10-K provides very limited discussion of the risks associated with offering co-branded consumer credit products, focusing on the effect on the company's operating results if the cobranded relationships are terminated, and general regulatory risk.[10] Are there no other material risks involved in operating these programs?

9. In light of Synchrony's history, of which Amazon should have been aware through due diligence before entering into the relationship, why did Amazon choose to partner with Synchrony? What steps has Amazon taken to protect the company, its customers, and its shareholders in the event that Synchrony is again investigated and/or found culpable for potential consumer financial protection law violations?

10. How is Amazon guaranteeing that the Credit Builder card will not have disparate impact on people of color? What steps will Amazon take to ensure that Synchrony does not engage in discriminatory practices in administrating the Amazon store card programs, especially the Credit Builder card?

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[9] See, Latoya Irby, Pros and Cons of Secured Credit Cards, November 5, 2018 https://www.thebalance.com/pros-and-cons-of-secured-credit-cards-960202

[10] Amazon.com, Inc., Form 10-K, 14 (Feb. 1, 2019).

Consumers have a right to know if and how Amazon ensures the integrity of its consumer lending products, especially the Credit Builder card, so that vulnerable Americans are not exploited by a financial institution with a history of bad practices. Congress must demand answers on behalf of the public before Amazon is allowed to move forward with this program that could trap economically vulnerable families and communities in a cycle of predatory lending.

Sincerely yours,

Robert B. Engel

Robert B. Engel
Free & Fair Markets Initiative

cc: Members of the Senate Committee on Banking, Housing and Urban Affairs
cc: Members of the House Committee on Financial Services