



To Build, rebuild, and protect the assets of Winston-Salem and Forsyth County residents

September 28, 2016

The Honorable Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Winston Salem Forsyth County Asset Building Coalition's comments on proposed rulemaking on payday, vehicle title, and certain high-cost installment loans

Docket number CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray,

Winston Salem Forsyth County Asset Building Coalition (WSFC ABC) files this comment in response to the Consumer Financial Protection Bureau's proposed rule on payday, vehicle title, and certain high cost installment loans. Thank you for the opportunity to submit comments on this important subject. The rule is a critical initial step in harmful effects of unaffordable loans, but the rule must be strengthened in order to stop the debt trap indefinitely.

The Winston-Salem/Forsyth County Asset Building Coalition (WSFC ABC) is a voluntary organization partnership of more than 30 local organizations, agencies, businesses and individuals. Its members are committed to helping people achieve financial stability by building personal assets (savings, real property). WSFC ABC works to raise awareness about the problem of asset poverty and develop ways to address this problem. Our mission is to build, rebuild, and protect the assets of residents of Winston-Salem and Forsyth County with a vision of a community where all people have an opportunity for financial stability.

We are writing to ask that you strengthen your proposed national payday rule. *Weaknesses in your proposed rule sanction dangerous loan products and will not stop the debt trap.* This is not good for North Carolina or any other state in our country. The suggested way to regulate high-cost lending is by placing strong interest rate caps. The Consumer Financial Protection Bureau (CFPB) cannot set a rate cap, therefore it is imperative that we protect and maintain our North Carolina rate cap and other state lending protections.

From 1997 until 2001 payday loans were legal in North Carolina and payday lenders charged up to 400% interest and trapped borrowers in a debt cycle. Due to tremendous harm caused by these loans, North Carolina legislature outlawed payday lending in 2001. It took five more years for regulators to force illegal lenders out of North Carolina, and the last payday lenders left in 2006. With the strong interest rate cap, all triple-digit loans are illegal here - payday, car title and triple-digit installment loans. Imposing a weak national rule causes concerns of predatory lenders using it as a way to sneak back into North Carolina.



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Thank you for closing one of the loopholes which would have exempted loans that fell within 5% of a borrower's income, ignoring expenses. Such an equation for consumers is not enough to determine if a loan is affordable.

We ask the CFPB to strengthen your final rule:

- **Build on, rather than undermine our strong state protections and strengthen our ability to enforce our state law against lenders making illegal loans.**

- **Close loopholes:**
 - **Dangerous exceptions to the ability-to-repay requirement:** The proposal exempts six 400% payday loans from the ability-to-repay requirement altogether. It also exempts longer-term payday and car title loans with high fees.
 - **Weak protections against loan flipping:** Lenders could continue putting borrowers in 10 or more short-term payday loans in a year. Protections against loan flipping for longer term loans are also weak.
 - **The “business as usual” loophole:** The proposed rule does not go far enough to be sure that, after repaying the loan, the borrower will have enough money to live on without re-borrowing. It allows payday lenders to say that because they have seized money from a borrower's bank accounts in the past the borrower has the ability to repay.

We ask CFPB to close the remaining loopholes and issue the strongest rule possible to stop the harmful debt trap of unaffordable payday loans. Unless these loopholes are closed, we are extremely concerned that your final rule will not stop the debt trap in states where these loans are still legal.

Thank you very much for this opportunity to comment.

Sincerely,

Winston Salem Forsyth County Asset Building Coalition