October 5, 2016

The Honorable Richard Cordray, Director

Consumer Financial Protection Bureau

1700 G Street NW

Washington, DC 20552

Re: 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,

We are pleased to file 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 first step in stopping the harms of unaffordable loans, but the rule must be strengthened to be sure it stops the debt trap once and for all.

Through local partnerships and asset building education, our group provides members of our community the supports necessary to develop personal savings habits, build personal wealth, and decrease poverty. Our partnerships include nonprofits, companies, governmental and judicial entities, colleges, politicians, community representatives, Disabled American Veterans, and open to all willing to help.

I am writing to ask you to strengthen your proposed national payday rule. *Weaknesses in your proposed rule sanction dangerous loan products and will not stop the debt trap.* This is bad for North Carolina and bad for every other state in the country. Strong interest rate caps are the best way to regulate high-cost lending. Since the Consumer Financial Protection Bureau (CFPB) cannot set a rate cap, it is extremely important that we protect and maintain our North Carolina rate cap and other state lending protections.

When payday loans were legal in North Carolina (1997-2001), payday lenders charged 400% interest and trapped borrowers in a cycle of debt. Seeing the tremendous harm caused by these loans, our state legislature outlawed payday lending in 2001.  It took five more years for our regulators to force illegal lenders out of our state, and the last payday lenders left our state in 2006. With our strong interest rate cap, all triple-digit loans are illegal here - payday, car title and triple–digit installment loans.  We want to be sure it stays that way.

We know that your final rule would not override our much stronger North Carolina laws. However, we are very concerned that if you issue a weak national rule, it will be used as ammunition by the predatory lenders who want to get back into North Carolina.

Thank you for closing one of the loopholes that was in an earlier version of the rule. This loophole would have exempted loans if the loan payment did not exceed 5% of a borrower's income. Considering income only, without looking at expenses, 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:**

o   **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.

o   **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.

o   **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 call on the 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. This is bad policy for those states and will be pushed as bad policy in North Carolina as well.

Thank you very much for this opportunity to comment.

Sincerely,

Angela Stewart