



**MDC**

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October 7, 2016

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

**Re: MDC 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:

MDC is a nearly 50-year old nonprofit organization based in Durham, North Carolina, which works to close the gaps that separate people and communities from opportunity. Our work includes designing and building systems that connect economically vulnerable people with available resources and services that are proven to reduce poverty and increase family economic security.

MDC files this comment about the Consumer Financial Protection Bureau's proposed rule on payday, vehicle title, and certain high cost installment loans. This rule is important to protecting the economic security of the vulnerable populations that MDC aims to serve through its work. Thank you for the opportunity to submit comments on this important subject. We see 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.

We are writing to ask you to strengthen your proposed national payday rule. MDC is particularly concerned about the impacts of the proposed rule in North Carolina where we payday lending is banned. In our view, 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.

Again, we ask that you strengthen your proposed rule to ensure that it stops the debt trap and does not sanction dangerous products.

First, we ask that you build on our strong state protections and strengthen our ability to enforce our state law against lenders making illegal loans in our state.

Second, we support that your proposed rule builds on the common sense lending principle of ability-to-repay. This is important to be sure that loans are affordable and borrowers are not set on a path to financial ruin when they take a loan. However, your proposed rule includes dangerous exceptions to this standard, including 6 high-cost loans in a year and longer term loans with high origination fees.

In addition, the rule does not go far enough to ensure that borrowers can meet their basic needs after repaying their loan or borrowers will not get caught in a cycle of loan flipping, particularly with long-term loans.

We ask you to close these 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 for this opportunity to comment. If you have questions about this comment, please contact us.

Sincerely,



David Dodson  
President