



North Carolina Council of Churches

Strength in Unity, Peace through Justice

Jennifer E. Copeland, Executive Director

September 22, 2016

Hon. Richard Cordray, Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Comments from Faith leaders in North Carolina 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 write as faith leaders in North Carolina, many from denominations that are members of the North Carolina Council of Churches, a coalition representing 25 distinct judicatories from 17 denominations with more than 6,200 congregations and nearly 1.5 million congregants. Others of us are interfaith allies with the NC Council. All of us are faith group leaders who worship a God concerned about the poor and who prohibits taking advantage of other people. We believe lending money at high interest rates violates both of these premises and follows no faith claims, Christian or otherwise.

We are, therefore, filing this comment in response to the Consumer Financial Protection Bureau's (CFPB) proposed rule on payday, vehicle title, and certain high cost installment loans. Thank you for the opportunity to submit comments on this important issue.

In North Carolina, we know about abusive payday loans because we helped force them out of our state with the support of hundreds of North Carolina organizations. We want to keep them out and are writing to ask you to help us in this effort by strengthening the proposed national payday rule.

We understand the CFPB is prohibited from setting a rate cap, so we believe it is extremely important that your rule helps us protect and maintain our rate cap in NC. We also need your rule to help us maintain other NC lending safeguards. Though your final rule would not preempt our stronger NC interest cap, weaknesses in the final rule would pose a threat to NC consumer protections by sanctioning harmful loans that currently are illegal in NC. The rule as currently proposed could be seen as giving the green light to payday lenders who are, even now, trying to return to NC. Furthermore, we are concerned that the CFPB's proposed rule could sanction dangerous loan products that will spiral into a debt trap for borrowers. We hope the CFPB rule can build on the NC protections currently in place and help us strengthen our ability to enforce NC laws.

In particular:

- **Require an ability-to-repay determination on every loan, with no exceptions.** Since the CFPB cannot set a rate cap, a strong ability-to-repay test is critical. This must be applied to every loan— with no exceptions and no room for future evasion.
- **Close the “business as usual” loophole.** The proposed rule should be strengthened to ensure that people have enough money to live on after making a loan payment. Low default rates are not evidence of ability to repay, since lenders hold a super lien against the borrower’s car title or possess a post-dated check belonging to the borrower. The proposed rule falls short by allowing lenders to continue making loans to borrowers who cannot afford the loan even though they have never defaulted.
- **Strengthen protections against loan flipping, particularly for long-term loans.** The proposed rule does not go far enough to stop borrowers from flipping from one unaffordable loan to the next. The CFPB should do more to ensure that short-term debt does not become unaffordable long-term debt. It is critical to strengthen protections against repeatedly refinancing longer-term loans, allowing debt to pile up for borrowers.
- **Cover all loans that give lenders extra leverage to collect their payments,** such as loans with a super lien against the borrower’s checking account, loans secured by personal property, or loans with a right to garnish wages.

We call on the CFPB to close these loopholes and issue the strongest rule possible to stop the harmful debt trap of unaffordable payday loans. Not only is this bad policy for those states where such loans are allowed, it could become bad policy again in NC. Many of our scriptures across multiple faith traditions specifically prohibit such predatory practices. We need the government to issue rules that help all of us live more justly with our neighbors. Righteousness rather than profit is our faithful witness.

Thank you for this opportunity to comment. If you have questions, please contact:

The Rev. Dr. Jennifer E. Copeland
Executive Director, NC Council of Churches
27 Horne Street
Raleigh, NC 27607
jennifer@ncchurches.org
919-828-6501

Sincerely,

Mohamed AbuTaleb, Ph.D.
Imam
Islamic Association of Raleigh

The Rev. Spencer Bradford
Pastor
Durham Mennonite Church

The Rev. Theodore E. Churn
Executive Presbyter and Stated Clerk
The Presbytery of New Hope

The Rev. Dr. Jennifer E. Copeland
Executive Director
NC Council of Churches

The Rev. Paula Clayton Dempsey
Director of Partnership Relations
Alliance of Baptists

The Rev. Carol Gregg
Pastor
Congregation at Duke Chapel

The Rt. Rev. Anne E. Hodges-Copple
Bishop Diocesan Pro Tempore
Diocese of North Carolina

The Rev. Sumi Loundon Kim
Minister
Buddhist Families of Durham

The Rev. Sam Marshall
Member
Salem Presbytery

Bishop Kenneth Monroe
Bishop of Eastern NC Episcopal District
African Methodist Episcopal Zion Church

Bishop Tonyia M. Rawls
Founder
The Freedom Center for Social Justice

The Rev. John M. Richardson
Regional Minister
Christian Church (Disciples of Christ)

The Rt. Rev. G. Porter Taylor
Bishop
Episcopal Diocese of Western NC

The Rev. Dr. Larry Hovis
Executive Coordinator
Cooperative Baptist Fellowship of NC

The Rev. Sonja Lee
Pastor
Unity Fellowship Church of Charlotte

The Rev. Betty Meadows
Transitional General Presbyter
Presbytery of Charlotte

Bishop Hope Morgan Ward
Resident Bishop
NC Conference of the United Methodist Church

The Rev. William T. Reinhold
General Presbyter
Presbytery of Coastal Carolina

Bishop Timothy M. Smith
Bishop
NC Synod, ELCA

The Rev. Bobbi White
General Presbyter
Presbytery of Western NC