

October 6, 2016

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

Re: North Carolina Veterans Council 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,

The North Carolina Veterans Council files this comment on 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 we encourage you to strengthen the rule to stop the debt trap once and for all.

The NC Veterans Council includes members from a range of veterans' organizations in North Carolina, for example Veterans of Foreign Wars, Disabled American Veterans, American Legion, AMVETS, Vietnam Veterans of America, Fleet Reserve Association and Military Officers Association of America. We meet regularly and advocate for policies and legislation that benefit veterans in our state.

The NC Veterans Council adopted the following policy to oppose predatory lending as one of our five 2015 Legislative Goals:

**Protect service members, veterans and their families, by not increasing the cost of consumer installment loans or authorizing payday, car-title or other high-cost loans.**

At the time we adopted this policy, we were concerned about North Carolina bills that would try to bring payday or other triple-digit loans back to our state. Payday loans were legal here for a short period and we saw the devastation caused by these 400% loans. We want to be sure our state remains free from payday, car title or other high-cost loans.

As you know, the Department of Defense (DoD) has strengthened its rules to protect service members and their families from predatory, high-cost loans. These DoD rules do not protect veterans who often face financial difficulties after separating from the military. High-cost debt taken on during service, or as they transition into civilian life, makes their transition even harder.

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. 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.

As you finalize your national rules to rein in payday, car title or high-cost installment loans, we encourage you to strengthen the rules so that they don't sanction dangerous loan products. If your rules are weak, we are concerned that high-cost lenders will push a North Carolina bill that carves out an exemption from

our strong interest rate cap, allowing them to come back into our state. Such a bill, if it passed, would put North Carolina veterans in great jeopardy.

We are 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.*

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 assure 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 that borrowers will not get caught in a cycle of loan flipping, particularly with long-term loans.

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. 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. If you have any questions about this comment, please contact me at [jjgrahamusa@gmail.com](mailto:jjgrahamusa@gmail.com).

Sincerely,

Col. Jeri I. Graham, USA (Ret)  
Vice-Commander  
North Carolina Veterans Council