

Prosperity Unlimited, Inc.

1660 Garnet Street
Kannapolis, North Carolina 28083
Phone: (704) 933-7405
Facsimile: (704) 938-7431



October 6, 2016

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

Re: Prosperity Unlimited, Inc. 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,

Prosperity Unlimited, Inc. is filing this comment about 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.

Prosperity Unlimited, Inc. is a nonprofit community development corporation that is also an approved housing counseling agency in Kannapolis, NC. We have eight employees and assist over 1,200 households per year to fulfil our mission of creating thriving community by facility financial change for individuals and families. Through the work that Prosperity does, when payday loans were legal in our state, we saw many families who faced financial failure because they took out a payday loan. This accessibility to cash does not fix the situation for the borrower but intensifies the borrower's chances for a deeper financial downfall along with impacting the financial situation of their families.

To expound on this, let's talk about how it financially impacted my family. My daughter was a single mother in her early twenties, who was working part time and going to college. She was introduced to payday lending by a college classmate who asked to borrow some money and in my daughter's willingness to help; the classmate took her to a payday lender. So she borrowed the money to help someone else, then got into a cycle of one loan after another as the classmate did not returned the funds to her and my daughter was left trying to meet the day-to-day living expenses of taking care of her child and herself. After months of getting behind on paying her other bills late and the stress of not knowing how she was going to take care of her son, she finally reached out to her family who paid off the debt for her.

A payday loan is not a solution to a financial crisis, it is the growth to a larger financial disaster. It takes true decision-making and replaces it with economic bondage. Families in North Carolina has been able to find other practical ways of providing for themselves by learning to manage their money wisely and they have only been able to do this because they are not caught up in the payday debt trap. Without thinking they would just go to the corner payday lenders for quick cash every time they hit a bump in the road but now they manage their family budget much more carefully, even saving when they were never able to in

the past. North Carolina is a better place to live without payday loans as people learned to make better financial choices.

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.* 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.

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 that 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,

Louise Mack
Prosperity Unlimited, Inc.