NC STATE AFL-CIO

NORTH CAROLINA'S UNIONS

North Carolina State American Federation of Labor and Congress of Industrial Organizations

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James Andrews
President

MaryBe McMillan
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August, 16, 2016

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

Re: NC State AFL-CIO 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 NC State AFL-CIO files this comment in response to the Consumer Financial Protection Bureau's proposed rule on payday, vehicle title, and certain high cost installment loans. We appreciate the opportunity to submit comments on this important issue. The rule is a critical first step, but we believe the rule must be strengthened to ensure it stops the debt trap once and for all.

Our state federation represents over 120,000 union members and their families across North Carolina. I am writing to ask you to strengthen your proposed national payday rule. Weaknesses in your proposed rule sanction dangerous loan products that will hurt working people and will not stop the debt trap. 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.

North Carolina was the first state to outlaw payday lending after first allowing it. The NC State AFL-CIO was proud to be part of a coalition effort that eventually forced payday lenders out of our state. 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.

Now that payday loans are illegal in our state, we are much better off. People avoid the payday debt trap, and the related problems that come with it, like bounced check fees, overdraft fees and falling behind on other bills. In short, they have more money in their pockets every payday. For many people, including our members, the difference of $50 or $100 every payday is the difference between staying afloat versus falling behind.

According to recent research from the Center for Responsible Lending, since there are no payday or car title storefronts in our state, North Carolinians save over $457 million every year - $255 million saved in fees not paid to payday lenders and $202 million saved in fees not paid to car title lenders. These savings benefit individual consumers and the state economy as a whole.

That's why we ask the CFPB to strengthen your final rule by:

- **Building on, rather than undermining, our strong state protections and strengthening our ability to enforce our state law against lenders making illegal loans.**

  We ask the CFPB to reaffirm the importance of state rate caps and declare that loans made in violation of our state laws are unfair, deceptive and abusive, which would give us additional enforcement tools.

- **Closing loopholes that undermine the ability-to-repay standard:**
  - **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.
  - **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.
  - **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 ask you 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 for this opportunity to comment. If you have questions about this comment, please contact me.

Sincerely,

MaryBe McMillan, Secretary-Treasurer