

NC COALITION FOR RESPONSIBLE LENDING

Protecting Home Ownership & Family Wealth

For Immediate Release

May 18, 2018

Landmark Payday Lending Reform Survives Congressional Threat, Rule Remains Intact for Now

Consumer Bureau should preserve and enforce the rule to protect families from payday lending debt traps averaging 400% interest

DURHAM, N.C. – The deadline passed this week for Congress to kill the Consumer Financial Protection Bureau’s (CFPB) landmark payday and car title lending reform through a Congressional Review Act (CRA) resolution. The CFPB rule, finalized in October and scheduled to take effect in 2019, requires that lenders assess a potential customer’s ability to repay before making high-cost payday and car title loans, which routinely trap people in long-term debt that blows their chances of recovering from a financial shortfall.

Six North Carolina members of Congress, more than in any other state, signed on to sponsor the CRA that would kill nationwide reform, even though North Carolina established strong payday lending protections long ago. Those NC sponsors are Reps. Ted Budd, Richard Hudson, Patrick McHenry, Robert Pittenger, David Rouzer, and Mark Walker.

Payday loans were legal for four years in North Carolina, from 1997 to 2001, after which payday lenders engaged in “rent-a-bank” schemes—violating state law by partnering with out-of-state banks. In 2006, the N.C. Attorney General and N.C. Commissioner of Banks shut down that practice, saving North Carolina [\\$457 million per year](#) in predatory fees. But now federal proposals threaten to erode those protections, including actions that would make “rent-a-bank” legal, exposing North Carolina families to triple-digit interest debt traps once again.

“Since the CFPB is now in the hands of Mick Mulvaney, who supported the CRA and has otherwise been hostile to the rule that was written before his installation there, supporters of payday lending reform should be on the lookout for further threats to this landmark reform,” said **Center for Responsible Lending Policy Director Kelly Tornow**. “The rule was a long-time coming—families across the nation deserve protection. And threats to North Carolina’s consumer protections make the rule essential in our state as well.”

As written, the payday lending rule will result in fewer families falling into financial ruin. In a 2017 [poll](#) of likely voters, more than 70 percent of Republicans, Independents, and Democrats support the ability-to-repay principle. The requirement helps to ensure that a borrower can repay without reborrowing and without defaulting on other expenses—that is, without getting caught in a debt trap. These debt traps

keep families from being able to pay other bills, cause overdraft and insufficient funds fees leading to closed bank accounts, and increase the likelihood of bankruptcy.

More than 1,000 consumer, faith, and civil rights groups, advocates for low-income families, veterans and elderly people, and former borrowers mobilized in 50 states to push for a strong rule over the five years in which it was developed.

Over 100 North Carolina organizations signed an [open letter opposing the CRA](#), including military and veterans associations, faith organizations, housing and credit counseling agencies, rural, business, civil rights, seniors and labor groups, among many others.

###

For more information, or to arrange an interview with a CRL spokesperson on this issue, please contact Carol Hammerstein at carol.hammerstein@responsiblelending.org or 919-313-8502.