April 4, 2018

Dear Members of the North Carolina Congressional Delegation,

The North Carolina organizations signing this letter urge you to strongly oppose H.J. Resolution 122 and S.J. Resolution 56, measures that would repeal the Consumer Financial Protection Bureau’s (Consumer Bureau’s) payday rule. This measure not only repeals the rule, it also prevents the Consumer Bureau from issuing similar rules in the future, giving payday and car title lenders a free pass.

The Consumer Bureau’s payday rule reins in payday and car title lending abuses by preventing these lenders from trapping consumers in an endless cycle of 300% interest debt. It is imperative that Congress oppose any effort to repeal or block this payday rule.

At its core, the Consumer Bureau’s payday rule is based on the common-sense principle that lenders have a responsibility to determine whether a borrower can afford to repay the loan without getting stuck in a cycle of unaffordable debt. This principle is particularly important for high-cost loans where lenders can seize funds from the borrower’s bank account or repossess their car if they default. An ability-to-repay requirement is a sensible and sound approach and a principle that, according to a recent poll of likely voters, more than 70% of Republicans, Independents and Democrats support.

This rule is the culmination of over five years of stakeholder input and extensive research demonstrating the harm caused by making loans without considering ability to repay. A large body of research has demonstrated that payday and car title loans are structured to create a long-term debt trap that drains consumers’ bank accounts and causes significant financial harm, including delinquency and default; fees for overdraft and insufficient funds; increased difficulty paying mortgages, rent, and other bills; loss of checking accounts; and bankruptcy. High fees, access to a borrower’s checking account or car title, and the lack of underwriting lets lenders repeatedly flip borrowers from one unaffordable loan to another. A large portion of borrowers eventually default, but often after they have paid hundreds or even thousands of dollars in fees.

The payday rule is necessary to help ensure that lenders cannot trap borrowers in a debt trap that leaves them much worse off. Repealing this rule would leave veterans, seniors, and borrowers of color at particular risk, because they are often targeted by payday lenders.

Strong state interest rate caps – as we have in North Carolina, 14 other states and the District of Columbia – are the most effective way to protect consumers from debt trap lending. After seeing the damage caused by payday loans in North Carolina, the General Assembly put an end to payday lending, making our state the first to roll back the once-legal industry. Car title loans have never been legal here.

Since the Consumer Bureau is not able to set a national rate cap, it has taken the next best step with this payday rule. This rule reins in the debt trap by focusing on the borrower’s ability to repay the loan without reborrowing again and again. The Consumer Bureau’s payday rule supports our strong state interest rate cap and provides critical protection in the 35 states that still have unaffordable debt trap loans.
H.J. Res. 122 and S.J. Res. 56, by repealing the Consumer Bureau’s common-sense rule, would give payday lenders a free pass to continue exploiting financially vulnerable Americans. We urge you to stand against predatory lenders by voting against this measure.

For more information, please contact Donna Gallagher at the IDA and Asset Building Collaborative of North Carolina at 919.212.4267 or donna@cultureofsavings.org.

Respectfully,

NC Veterans Council
Navy-Marine Corps Relief Society, Camp Lejeune
Navy-Marine Corps Relief Society, Cherry Point
Navy-Marine Corps Relief Society, MCAS New River
Military Officers Association of America (MOAA), NC Council of Chapters
Habitat for Humanity of North Carolina, Inc.
NC NAACP
NC Council of Churches
NC Conference, United Methodist Church
Episcopal Diocese of North Carolina
Carolina Jews for Justice
NC Assets Alliance
NC Alliance for Retired Americans
NC Coalition on Aging
Credit Counseling Agencies Association of NC
Latino Community Credit Union
NC Congress of Latino Organizations
NC Rural Center
NC A. Philip Randolph Educational Fund, Inc.
NC A. Philip Randolph Institute
NC AFL-CIO
NC Association of Community Development Corporations
NC Community Development Initiative
NC Consumers Council
NC Housing Coalition
NC Justice Center
NC National Organization for Women
NC Public Interest Research Group
Reinvestment Partners
NC Public Service Workers Union-U.E. Local 150
Disability Rights NC
United Way of Greater Greensboro
Arcade Credit Union
Ecusta Credit Union
Summit Credit Union
Prosperity Now
Carolina Small Business Development Fund
Self-Help and Center for Responsible Lending
The Collaborative of NC
The Institute
Triangle Labor Council AFL-CIO
United for a Fair Economy
Charlotte Center for Legal Advocacy
Pisgah Legal Services
Financial Protection Law Center
Minority Women Health Alliance
Women AdvaNCe
Working America NC

Action NC
Alexander County Habitat for Humanity
Alliance Credit Counseling
Ashe County Habitat for Humanity
Asheville Habitat for Humanity
Atkinson Collaborative Enterprise
Baptist Peace Fellowship
BPFNA-Bautistas por la Paz
Cape Fear Habitat for Humanity
CCCS of Greater Greensboro
CCCS of WNC, Inc. DBA OnTrack Financial Education & Counseling
Cedar Grove Institute for Sustainable Communities
Center for Financial Social Work
Centre for Homeownership & Economic Development
Chatham Habitat for Humanity
Children First/Communities In Schools of Buncombe County
Common Wealth Charlotte
Community Empowerment Fund
Community Link
Community Management Corporation
Durham Congregations, Associations, and Neighborhoods (CAN)
Durham Regional Financial Center
Eastern Carolina Board of Realtist
Elizabeth City Habitat for Humanity
Empowerment Resource Center of Asheville/Buncombe, Inc.
Experiment In Self Reliance (ESR)
Fayetteville Area Habitat for Humanity
Financial Pathways of the Piedmont
Habitat for Humanity Cabarrus County
Habitat for Humanity of Catawba Valley
Habitat for Humanity of Cleveland County
Habitat for Humanity of Davie County, Inc.
Habitat for Humanity of Forsyth County
Habitat for Humanity of Gaston County
Habitat for Humanity of Goldsboro-Wayne
Habitat for Humanity of Greater Greensboro
Habitat for Humanity of Lincoln County, NC
Habitat for Humanity of Randolph County
Habitat for Humanity of Stokes County
Habitat for Humanity of Wake County
Habitat for Humanity, Orange County, NC
Henderson County Habitat for Humanity
Mitchell-Yancey Habitat for Humanity
Person County Habitat for Humanity
Prosperity Unlimited, Inc.
Rebuilding Broken Places Community Development Corporation (CDC)
Salisbury Community Development Corporation (CDC)
Samaritan Ministries
Shaw University Divinity School
Superior Consumer Advocacy Network
Upper Yadkin Valley Habitat for Humanity
Watauga Valley Habitat for Humanity
Winston Salem Forsyth County Asset Building Coalition