State of North Carolina
Department of Justice

Roy Cooper, Attorney General

TO: Members of the NC Senate

FROM: Roy Cooper RC

RE: Consumer Finance Act Amendments, Senate Bill 489

DATE: May 1, 2013

I call to your attention the potential for harm to consumers with the passage of Senate Bill 489, Consumer Finance Act Amendments. The proposal would allow finance companies to charge more interest for small loans to the very consumers who can least afford it. The bill authorizes them to add new fees and charges, on top of the interest rate hike, which increases the likelihood that vulnerable consumers get trapped in the harmful cycle of taking out new loans just to pay back prior loans.

While I appreciate the sponsors adding safeguards for members of the military, it makes common sense that what's bad for our armed services is harmful for all consumers. Those enhanced protections don't even extend to the spouses of the military service members, who are often the ones taking out these loans. In addition, you should know that:

- **Rates will increase on the majority of loans**. You will be increasing the monthly payment and interest on all loans over $3,000. For example, the interest rate on a $5,000 loan will jump from 20% to 30%, requiring the borrower to pay over $1,000 more on a four-year loan.
- **The new law does nothing to prevent loan flipping**. The Office of Commissioner of Banks (OCOB) report showed that 66% of consumer finance loans in 2011 were made to consumers to renew existing accounts, trapping customers in a debt cycle.
- **Consumer finance companies are recovering from the credit crisis already.** The total number of loans increased from 2010 to 2011. The overall dollar amount of loans increased. Consumer finance companies added additional offices in the state and their total assets increased.

We have worked hard in North Carolina to make loans to consumers fair while allowing access to credit. Don't make it harder on North Carolinians by allowing interest rates and fees to rise.

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