

In North Carolina, 51% of Traditional Consumer Finance Companies Report Losses in 2010

Bad news for consumers who can least afford to go without installment lending?

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William Braxton recently stepped down as President of RLNC, the association for traditional installment lenders who work and reside in North Carolina, and spoke recently about the new North Carolina Commissioner of Banks Report for 2010. The report revealed that a record number of consumer finance offices have closed their doors in North Carolina. “A reduction of 34% in the number of offices in the last ten years is significant to North Carolinians. When these companies are not able to make money because they’ve been legislated out of existence, it is time to do something about it. If these offices are forced to close their doors, this will hurt consumers as well as local communities. In a financial crisis, it is vital to keep credit accessible for the middle class, without them having to try to refinance their homes or seek out other means of getting money that might put them at risk. If traditional finance companies continue to close their doors, it will hurt the overall economy in the state as well as individuals on a personal level.”

“In Commissioner Smith’s 2009 report to the general assembly he noted that 29% of companies were not profitable. With the new 2010 Commissioner’s report, we see that 51% of the companies did not make a profit, up 22% from 2009. Companies with only 1 to 6 offices represent the majority of licensed lenders in this state. These are people in our hometowns all across North Carolina.

“Our country and our state are experiencing hard times and that is when responsible forms of credit are needed the most. If this industry does not get a raise in rates to allow it to continue to serve the people of NC, the consumers here will be forced to go across state lines where the rates are much higher. The consumers will lose and the state will lose in taxes. And it could be even worse if North Carolinians go to the internet where many end up with unregulated off-shore loans from very unscrupulous people. They will very likely end up with the type of lending that is no longer legal in North Carolina, and many won’t even know it until it is too late. They will have given off-shore lenders access to their bank accounts, with all their finances and vital information compromised.”

Mr. Braxton went on to say that the consumer installment lending industry “has one of the highest consumer satisfaction ratings of all lending institutions. Obviously, it makes more sense to keep local revenues moving, by helping local people stay in business to serve our communities right here in the state. The consumer finance industry in NC has a proven track record and high satisfaction rating. It’s a form of finance that helps consumers to stay afloat, minimize debt, and achieve their goals.”

The NC Commissioner’s report also shows graphs of the number of licensed consumer finance lenders (“CFLs”) left in each county. According to the graphs, there are 18 counties in North Carolina which currently do not have a single consumer installment loan office. About this Braxton said, “These are the counties that tend to have a lower mean income, where the need is even higher.”

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