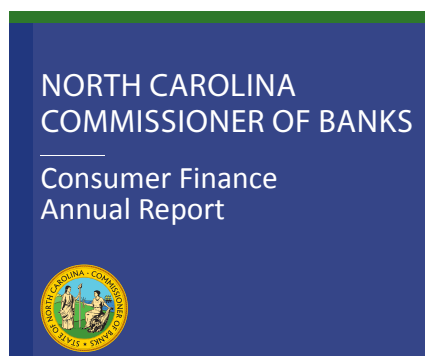


North Carolina Commissioner of Banks Proves Consumer Advocates Wrong

A new North Carolina Commissioner of Bank's Annual Report has come out stating that 51% of traditional consumer finance companies in the state reported operating losses in 2010

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According to the latest North Carolina Commissioner of Banks Annual Report, submitted to Governor Beverly Perdue two weeks ago, 51% of traditional consumer installment finance companies in North Carolina reported operating losses in 2010. This figure is up 29% from just one year ago. The information comes from a study of the much debated NC Consumer Finance Act and HB 810 which passed the house this summer, and awaits voting by the NC Senate in 2012. The study was called for when consumer advocates fought a rate increase to the NC Consumer Finance Act, saying that consumer installment loan offices have continued to make profits even in a bad economy. A bipartisan majority of legislators have said that they are fighting to keep safe, responsible and affordable loans available for the people of North Carolina, especially in these uncertain times.

During the discussion of HB 810 in the House, concerns were raised by local military representatives who felt certain loans might be harmful to service members stationed in the state. While there is cause for concern with some forms of consumer credit for military personnel, loans provided under North Carolina's Consumer Finance Act are not among them. In fact, according to the Office of the Attorney General of North Carolina, consumer installment loans under the Consumer Finance Act have the lowest consumer complaints of all other types of credit. The military *is* concerned about the financial soundness of our troops, but new reports also show that less than 1% of consumer finance loans in NC have been made to military personnel and they often are used to reduce financial stress. Whether statements to the contrary were made in error or not, the new report by Commissioner Joe Smith goes a long way to set the record straight. It not only shows that local consumer finance offices in NC are not making profits, it also reveals that as many as 165 offices have closed their doors. The report indicates a 34% reduction in business over the last ten years—which means reduced employment in the state, diminished tax revenues for NC, and declining credit for local families. The traditional consumer installment loan industry serves between 15% to 18% of NC households.

Chris McKinley is a former banker and now President of Green Cap Financial in NC. Mr. McKinley, who also served in the Navy for 10 years, said, "Having been in the military and coming from a military family, I can certainly understand the concerns being presented. However, installment loans written under the Consumer Finance Act regulations are safe and more affordable than other products. I also understand how difficult it is to get credit when you are in the military. The bigger issue for our troops would be if these local finance companies are no longer an available option."

The Commissioner's report also points out that for the entire finance industry in this state, income after taxes was only 2% of assets. The NC Consumer Finance Act, N.C.G.S. § 53-164 et seq., authorizes the Commissioner of Banks to license and supervise loan companies making direct consumer loans of \$10,000 or less. The report shows that the majority of loans fall into the \$1,000 to \$3,000 range—smaller loans that an FDIC study has shown are not profitable for banks to make without government subsidies. And when these customers go to credit unions—which do not generate taxes for the state—the cost, once membership and other aspects are factored in, is relatively the same as installment lending.

Chris McKinley explained, "The traditional consumer installment loan is generally a small dollar, fixed payment loan for a specific period of time. This industry was created almost 100 years ago to help put a stop to usury loans. Customers of the consumer finance industry are often those who want a small loan without having to use a credit card. Customers may also be those who want to establish or re-establish credit, or want an amortized installment loan with a quick response. Customers often use these loans to consolidate credit card payments, get a handle on their debt and cover unexpected expense. They borrow from these Main Street loan offices right in their neighborhoods. These companies are closely regulated on both the state and federal level, and offer full service amortized installment loans. It has been 28 years since this industry has seen a rate increase and this has been hurting both the industry and ultimately the consumers."

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