March 8, 2011

The Honorable Robert McDonnell
Office of the Governor
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

Governor McDonnell:

We, the undersigned, urge you to reject SB 1367, which, if enacted would facilitate the export of high-interest car-title loans to Virginia’s neighboring states that, with the exception of Tennessee, have all chosen not to allow these types of lending practices.

Currently, only 19 states have car title lenders operating within their borders. And startlingly, only 14 states explicitly authorize car title lending with lenders. Car-title lenders operate in the other five states through unintended loopholes of weak state laws.

In 2006, President Georgia W. Bush and Congress capped payday and car title loans at 36 percent annual interest for members of military nationwide, citing concerns that these types of loans undermine troop morale and military readiness. The Military Lending Act also prohibited securing loans with the title to the borrower’s vehicle, placing car title loans off-limits to active-duty service members and their families.

This state and military landscape is the direct result of years of contentious legislating that high-cost, car-title lenders have clearly been losing. Several states, such as Iowa, Oregon, New Hampshire and Wisconsin, have all capped car-title loan rates at around 36 percent annually or less. In November of 2010, the voters of Montana overwhelmingly voted to cap car-title and other types of small loan products at 36 percent.

This means that hundreds, if not thousands, of community organizations have clearly spoken that they want to keep car-title lenders out of their states. This includes state and local public enforcement officials and state legislatures.

In other words, we expect surrounding states to institute new laws, rules and enforcement actions in response to Virginia car-title lenders’ attempts to target vulnerable families with financial products they have deemed defective. The Washington, DC Attorney General has already sued two Virginia-based car title lenders and required termination of loans to DC residents and refunds.

In these budget times that inevitably result in shared sacrifices by all, we do not need unnecessary political and legal costs to simply enforce the desired choice of state law that the clear majority of states want.
We ask you to respect the rights of those states to legalize, regulate or ban financial products as they see fit.

Consequently, we, the undersigned, request that you reject SB 1367 as an unnecessary, costly bill that undermines the rights of all states.

Sincerely,

Center for Responsible Lending
Consumer Federation of America
Consumers for Auto Reliability and Safety
Corporation for Economic Development
National Association of Consumer Advocates
National Consumer Law Center (on behalf its low-income clients).
Sargent Shriver National Center on Poverty Law

AARP NC
Action NC
Arkansans Against Abusive Predatory Lending
Chicago Consumer Coalition
Community Reinvestment Association of NC
Community Legal Services of Philadelphia
Consumer Assistance Council, Cape Cod, MA
Consumer Credit Counseling Service of Forsyth County, Inc., NC
Consumer Federation of the South East (FL)
IDA and Asset-Building Collaborative of North Carolina
Legal Services of Southern Piedmont, NC
Good Work. NC
Greensboro Housing Coalition, NC
Maryland CASH Campaign
Maryland Consumer Rights Coalition
MDC Inc: Expanding Opportunity, Advancing Equity (NC)
Memphis RISE
Mountain Association for Community Economic Development
North Carolina AFL-CIO
On Track Financial Education & Counseling, NC
PennPIRG
River City Community Development Corporation, NC
Statewide Poverty Action Network (WA)

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(affiliation for information purposes only)