

# Democracy North Carolina

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For Release: Monday, July 17, 2017

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## **Consumer Finance Companies Win Profitable Legislation With Big Donations to Lawmakers; Will Gov. Cooper Veto?**

Through last-minute maneuvering by General Assembly leaders, the consumer loan industry won a prize piece of legislation from state legislators who have benefited handsomely from the industry's campaign donations that total over \$500,000 in the past four years.

An amendment to an unrelated bill about dental care will allow consumer lenders to expand the lucrative practice of selling credit insurance on the personal property that borrowers use to secure their loans. Opponents point out that reports from the NC Banking Commission and other agencies show this "credit product insurance" is overpriced and oversold. In North Carolina, less than \$9 is paid in claims for every \$100 borrowers pay in premiums.\*

Rather than justify the amendment on its merits, consumer lenders simply say it "modernizes" the list of items that credit product insurance can cover from the law's limit to only "household furniture, furnishings and appliances." In fact, the amendment dramatically expands the list by adding the phrase "and other personal property of the debtor, exclusive of an automobile," which could include everything from mobile homes to home computers, dirt bikes to boats.

"We're just modernizing the law," Royce E. Everette, Jr., told the News & Observer, "making sure everything is clear." Everette chairs the legislative committee of the Resident Lenders of North Carolina. His family owns Time Investment, a Greenville-based chain of financing stores.

Everette is also one of the most prolific political donors in the state, according to an analysis by Democracy North Carolina, a nonpartisan watchdog group. In the past four years, he has donated to over 60 state legislators and given at least \$188,000 to state campaigns and parties. His mother and company co-owner, Gail N. Blanton, donated another \$49,200 in that period.

All totaled, about two dozen consumer lenders and their two PACs (Resident Lenders of NC PAC and Security Financing Corp. PAC) gave at least \$530,000 to state politicians and party committees from January 2013 to December 2016.

The top recipient of the industry's money is the state Senate's leader, President Pro Tem Phil Berger, who took in \$48,250. In a surprise move, Berger let the industry's amendment be added to the dental bill (H-140) on the Senate floor in the final days of the 2017 regular session. It received little debate and was not engrossed in the adopted bill, which shielded it from attention as the bill moved back to the state House for a final vote.

"This industry has a pattern of winning legislation based on its campaign money rather than the legislation's merits," said Bob Hall, executive director of Democracy North Carolina. "It happened in 2011, when Republican leaders in the General Assembly pressured legislators to increase interest rates on consumer loans as a payback for the industry's surge in donations to the party's candidates in 2010. And now it's happening again."

Democracy North Carolina's report about the 2011 controversy is at:  
<http://nc-democracy.org/downloads/ConsFinanContriPR2011.pdf>

News reports about the current controversy involving credit insurance are at:  
<http://www.newsobserver.com/news/business/article160593844.html>  
<http://www.ncpolicywatch.com/2017/07/11/another-bill-governor-coopers-veto-list/>

The ratified bill is awaiting action by Gov. Roy Cooper, along with other bills he could veto this month. Cooper received \$1,000 in his 2016 campaign from the consumer lenders and their PACs. By contrast, his opponent then-Gov. Pat McCrory received \$29,500.

Overall, Republican candidates and committees received 92 percent of the industry's donations in the 2013-2016 period.

Democrat Josh Stein received nothing in the four years leading to his election as state Attorney General, while his opponent, Republican Buck Newton received \$34,368.

Other major recipients include House Speaker Tim Moore, who took in \$19,550, and Senate Commerce and Insurance Committee chair Rick Gunn, who received \$26,750.

Republican Representative Susan Martin and Democratic Senator Don Davis, whose districts include parts of Pitt County where Time Investment is based, received \$24,880 and \$6,500 respectively. Sen. Davis is the top recipient among all Democrats in the four-year period.

More recipients with amounts received: Senate Majority Leader Harry Brown - \$10,250; Senate Rules Chair Bill Rabon - \$8,000; Senate Deputy President Pro Tem Louis Pate - \$7,500; House Rules Chair David Lewis - \$9,750; Sen. Chad Barefoot - \$9,250; Sen. Tamara Barringer - \$10,750; Sen. Brent Jackson - \$14,000; Sen. Michael Lee - \$8,000; Rep. Jeff Collins - \$8,000.

In addition to Royce Everette and Gail Blanton of Time Investment, the biggest donors are:

Glenn H. Hall (Little River & N. Myrtle Beach, SC), owner of National Finance Co. - \$36,000  
Bobby Ray Hall Jr. & Sr. (Little River, SC), owner of National Finance Co. - \$19,500  
R. Wayne Smith (Rocky Mount), president of Century Finance Inc. - \$18,750  
Al J. Pridgen, Jr. (Rocky Mount), president of Southern Loans Inc. - \$8,600  
L. Elmer Britt (Greenville), owner of Future Financial Services - \$8,100

*\* According to the NC Commissioner of Bank's 2015 Consumer Finance Annual Report, consumer finance companies sell an average of two insurance products on each installment loan, allegedly to cover loan payments in case of, for example, the borrower's sickness or job loss or damage to the collateral: 867,801 insurance products were added on 438,615 loans.*

*According to the NC Department of Insurance's 2013 Credit Property Survey, the loss ratio of single interest credit product insurance in 2013 was only 8.81% or \$8.81 paid in claims for each \$100 collected in insurance premiums.*

*The Center for Responsible Lending analyzed finance company collection cases filed in small claims court in Wake County during 2012-2015. Every case involving a refinanced loan with Time Investment (or Time Financing Service) included add-on credit insurance products, which raises concerns about whether the borrowers willingly and knowingly signed up for them.*