

Democracy North Carolina

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Legislation to Increase Charges on Small Loans Follows Surge in Contributions from Consumer Finance Industry

A campaign finance watchdog organization is raising questions about whether an unusual pattern of contributions given by donors in the consumer loan business is connected to a bill now moving through the North Carolina General Assembly that will benefit their industry.

During the last election, donors with consumer finance companies gave most of their campaign contributions to Democratic legislators until late August 2010, when they suddenly switched and began pouring more than \$100,000 into the campaigns of 15 Republican newcomers challenging Democrats in hot races, as well as the top three Republican leaders in the General Assembly.

“The industry made a substantial gamble in 2010 by shifting its money from incumbent Democrats to Republican challengers and now it appears to be reaping the benefits of that investment with a bill to enrich the industry,” said Bob Hall, director of Democracy North Carolina, a nonpartisan watchdog organization that has filed campaign finance complaints against both parties in the past.

Click [here](#) for the industry’s top donors and recipients. Click [here](#) to see all its 2010 donations.

Harry Melton, president of Amity Finance in Gastonia, told Hall that his industry’s trade group, the Resident Lenders of NC, gets recommendations from its lobbyists in Raleigh about who to support with donations. “We have lobbyists that make recommendations to us,” said Melton. “On an individual basis, they let us know who would be favorable to our industry.”

Melton has served on the Resident Lenders PAC committee, but like many industry leaders, he gave more personal donations to legislative candidates in the two months after August 15, 2010, than in the past decade – including to candidates far from his home – with the goal of electing “friendly” state legislators. He is now following progress on a bill in the state House to help his industry.

The bill, H-810, would allow consumer finance companies to raise interest rates to 36% on small loans and increase other fees. The companies say they need to earn more from their loans, but the head of the state North Carolina Banking Commission says the industry is profitable and the legislation is not needed. Representatives of military bases in North Carolina and a coalition of consumer groups also oppose the legislation.

Hall said Republican leaders have kept the bill moving forward despite the formidable opposition. In April, House Republican leaders changed plans and decided to skip routing the bill through the Finance Committee, where its fate seemed in question because of bipartisan opposition.

“It’s hard to explain what’s driving this legislation without following the money,” said Hall.

The new Republican House Speaker Thom Tillis and Majority Leader Paul Stam received \$27,200 from consumer finance company donors, including \$2,000 after the election was over from Security Finance Corporation PAC, the political action committee of a South Carolina loan business.

In the spring of 2010, Security Finance PAC gave 100% of its money to incumbents, with 75% going to Democrats, but in late August it changed strategies and began giving all its money to Republicans, with 75% going to 14 challengers of incumbent Democrats.

“That’s very unusual,” said Hall. “More than 90 percent of PAC money goes to incumbents in North Carolina, because those officials are in a position to deliver benefits immediately and when they run for reelection, they have better than a four-to-one chance of winning.”

The Residents Lenders PAC, which represents commercial loan companies, also began giving to Republicans challenging Democrats in September 2010. Six Republican challengers received a total of \$4,000 from the PAC, plus \$3,500 from Security Finance PAC and more than \$25,000 from individuals associated with finance companies in North and South Carolina.

Altogether, 19 Republican legislative candidates – and no Democrats – received five or more donations from finance company PACs and executives, many living hundreds of miles from the candidate’s district. Many donors had not given in a legislative contest in the previous 10 years.

According to the analysis by Democracy North Carolina:

- Consumer finance executives and their PACs donated \$65,600 to 15 Republican legislative candidates in highly contested races, including 12 held by Democrats and three open seats. Only 3 of the 134 donations to these 15 candidates were made before the middle of August 2010.

- In addition, these donors made 47 contributions totaling \$45,450 to the soon-to-be Senate President Pro Tem Phil Berger, House Speaker Thom Tillis and House Majority Leader Paul Stam. All but 2 of the contributions were made after mid-August.

- By contrast, incumbent Senate President Marc Basnight, Speaker Joe Hackney and Majority Leaders Martin Nesbitt and Hugh Holliman received a total of only \$3,600 after mid-August – four donations from the Resident Lenders PAC and nothing from consumer loan executives.

- Before mid-August 2010, the consumer finance donors and their PACs gave more money to Democratic legislative candidates and committees than to Republicans - \$15,550 versus \$12,300.

- **After August 15, the donors gave \$126,670 to Republican legislative candidates – more than seven times the \$17,400 they gave to Democratic candidates in the final months of 2010.**

- **Altogether, these consumer finance donors and their PACs gave \$172,320 to legislative campaigns in the 2010 election cycle, compared to \$30,250 in 2008 and \$77,500 in 2006.**

- House Speaker Thom Tillis and Republican Majority Leader Paul Stam received nothing from consumer finance donors for the 2010 election until late August. After that, they received nearly three dozen industry-related contributions – a total of \$13,950 for Stam and \$13,250 for Tillis.

- Of the 17 finance company executives who gave four or more donations to different legislative candidates in 2010, 8 had not made a reported donation to a legislative candidate in the past decade (L. Elmer Britt, David S. Hicks, R. A. “Pete” James, Harry R. Melton, Larry W. Shive, Thomas D. Payne, Daniel L. Thompson, and R. Wayne Smith) and 6 gave at least 4 times as much as they had given to legislative candidates in any previous election cycle this decade (Gail N. Blanton, Priscilla D. Butler, Glen H. Hall, Royce E. Everette Jr., Al J. Pridgen Jr., and R. David Reese).

- In addition to 3 Republican candidates who won open Senate seats (Thom Goolsby, Brent Jackson, and Bill Rabon), 12 Republicans running against incumbents received multiple donations from finance company donors, often from individuals many miles away; all 12 won: For House – Jeff Collins, Ralph Hise, Stephen LaRoque, Tim Moffitt, Tom Murry, Norman Sanderson, and Mike Stone; for Senate – Jim Davis, Rick Gunn, Wesley Meredith, Louis Pate, and Dan Soucek.