

Public Awareness or Politics?

When the legislature enacted a new law regulating so-called predatory lending in the summer of 1999, North Carolina Attorney General Mike Easley took the offensive, launching a three-pronged plan of legislation, litigation, and education. But critics, noting Easley's high profile appearance in public service ads running in African-American media outlets, argue there is a fourth prong—politics.

As reported in the *Winston-Salem Journal*, it cost \$160,000 for a series of radio ads that featured Easley and former Charlotte mayor Harvey Gantt, a popular black leader and two-time Democratic nominee for the U.S. Senate. An additional \$20,000 went for print advertisements appearing in black-oriented newspapers across the state.¹ The full-page print ads offer a prominent consumer warning about avoiding home equity scams, but they also include a photo of Easley and mention his name five times.

In addition, Easley's office has printed 25,000 copies of a "Consumer Alert" brochure that features a photo of Easley paired in large type with "Attorney General Mike Easley's tips for avoiding home equity scams."

Easley is seeking the Democratic nomination for governor in 2000. Besides educating consumers, critics see the public service advertising campaign as an effort to aid his gubernatorial campaign and particularly to attract black votes. But Easley's office describes the predatory lending campaign as an honest effort to raise public awareness. "He's got extraordinary credibility among consumers," says Alan Hirsch, special deputy attorney general and head of the consumer protection division. Hirsch notes that consumer education and enforcement of consumer protection laws is part of the attorney

general's job. African-Americans have been targeted, Hirsch says, because they are more likely to be the targets of home equity scams.

However, critics point to two ethical lines Easley may have crossed. In 1997, the General Assembly adopted a law barring declared candidates for Council of State offices from appearing in state public service ads during an election year unless there is a state or national emergency.² "No one likes the idea of someone getting an unfair advantage in a statewide race," says Rep. Leo Daughtry (R-Johnston), who pushed for the legislation and is himself a candidate for the GOP gubernatorial nomination.

Hirsch notes that the election year actually began January 1, 2000. No advertisements were scheduled to run after December 31, 1999, so the attorney general was in full compliance with the law, Hirsch says.

In addition, the money from the ads came from settlements won by the attorney general's office in other consumer protection cases. A provision in the state constitution says that fines and penalties for violations of state laws must go to counties to help pay for schools.³ The position of the Attorney General's Office, however, is that the settlement dollars are not fines and penalties as specified in the state constitution, and this area of the law remains in dispute.

—Mike McLaughlin

¹ David Rice, "Critics: So-called public service ads are campaign for Easley," *Winston-Salem Journal*, Winston-Salem, N.C., Sept. 12, 1999, p. B1.

² *Ibid.*

³ N.C. Constitution, Article 9, Section 7.

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higher interest rates because their loans are higher risk, then so be it," says Eakes, an organizer of the broad-based coalition. "But I refuse to accept that the poor and elderly should be charged fees that middle-class borrowers are never charged, simply because they have been deceived or because they are unsophisticated."⁸

Eakes, a primary force in building support for the bill, also bombarded legislators with information, including a videotape featuring four news reports about predatory lending. The video features network reports by ABC, CBS, and CNN, as well as two news broadcasts by an Atlanta TV station. Several of the interviews focused on loan practices