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NEW REPORT: Title Lending in Arizona 2019

STILL WRONG: Wrecked by Debt

(TUCSON) – August 05, 2019, The Southwest Center for Economic Integrity, a nonprofit organization based in Tucson, has issued an updated report on title lending in Arizona. The report provides current information on the title lending industry in Arizona, and points to some alarming trends in the industry which offers triple-digit interest rate loans that trap borrowers in a cycle of debt.

> *"Car title loan companies are taking full advantage of a grey area in Arizona law and migrating to a product that is for all intents and purposes a payday loan by another name."*
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> *"The so-called* Registration Loan *has all of the characteristics of a payday loan including requiring access to borrowers' bank accounts. Registration loans are sold to people who hold a vehicle registration but don't own the vehicle outright. AZ voters rejected triple-digit interest rate consumer lending in 2008 when they voted NO on the payday industry's Prop 200 by a 60-40% margin. People look askance at me today and wonder why the state still allows this type of usurious lending."*
>
> —**Kelly Griffith**, Executive Director, Southwest Center for Economic Integrity

Many former payday lenders are still licensed to make title loans in AZ. The report's key finding includes:

- The Center for Responsible Lending (CRL) estimates that Arizona borrowers annually pay $254,924,519 in interest charges for title loans[1].
- Arizona title loan law authorizes annual rates of 204 percent for loans up to $500 with the lowest tiered rate of 120 percent annual rate for loans over $5,000.
- In 2019, five of the ten largest title lenders — and 37 percent of all title lender licensed locations — were licensed as payday lenders 12 years ago.
- Arizona permits lenders to charge title loan rates to consumers who do not hold a clear title to the vehicle used to "secure" the loan. Seventy-five percent of licensed locations make "registration loans." This is up from 2015 when almost 50 percent of locations made these loans.
- In 2019, 73 companies hold 80 unique licenses from AZDFI to make title loans. These companies have 476 licensed locations, not counting unlicensed service locations.

Reform efforts in the title loan market have hit repeated roadblocks in the AZ Legislature. The report highlights a number of bills introduced that failed in the state legislature. These bills were designed to cap title loan rates or repeal the title loan carve-out from the Consumer Lender Law usury cap protection.

> *"Voters need to understand that title lenders have a separate statutory carve-out from our consumer lending usury law and that the defeat of the payday lenders' Prop 200 initiative in 2008 did not apply to title lending."*
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> *"Title lending exposes Arizona families to repeat borrowing to avoid losing vehicles to repossession. Many of the title lenders we examined for this report promote their loans based on the value of the borrower's vehicle, not the borrower's ability to repay the loan, demonstrating that these loans are debt traps."*

—**Jean Ann Fox**, lead researcher

This is a significant drain on Arizona's economy, diverting dollars to out-of-state companies that otherwise would be spent in the local economy on everyday necessities.

> *"Triple-digit rates strip millions of dollars annually from the pockets of people across the state."*
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> *"It was wrong in 2000 when the state legislature legalized triple-digit interest rate title lending. It was wrong in 2008 when voters rejected triple-digit payday lending interest rates. It was wrong in 2016 when we released our first report on title lending in Arizona and it is still wrong today."*

—**Kelly Griffith**, Executive Director, Southwest Center for Economic Integrity

The report ends with a recommendation to support the Arizona Fair Lending Act on the 2020 ballot (Prop #16-2020) and compares key provisions of the ballot initiative with current Arizona title loan law.

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[1] Payday and Car Title Lenders Drain $8 Billion in Fees Every Year," updated April 2019 at www.responsiblelending.org

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