

Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 10 minutes.



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Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 5 minutes.



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Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 1 minute.



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Webinar Housekeeping

- The webinar will be **recorded**.
- All participants will **receive the slides** and the recording after the webinar.
- We have **muted** your phones.
- Please use the **chat box** to submit a question or let us know if you are having any technical difficulties.

Jody Blaylock

Policy Associate

Financial
Empowerment Policy
Project at
Heartland Alliance
& IABG



Illinois Asset Building Group



A project of Heartland Alliance



Auto Title Loans



October 2015

No Right Turn

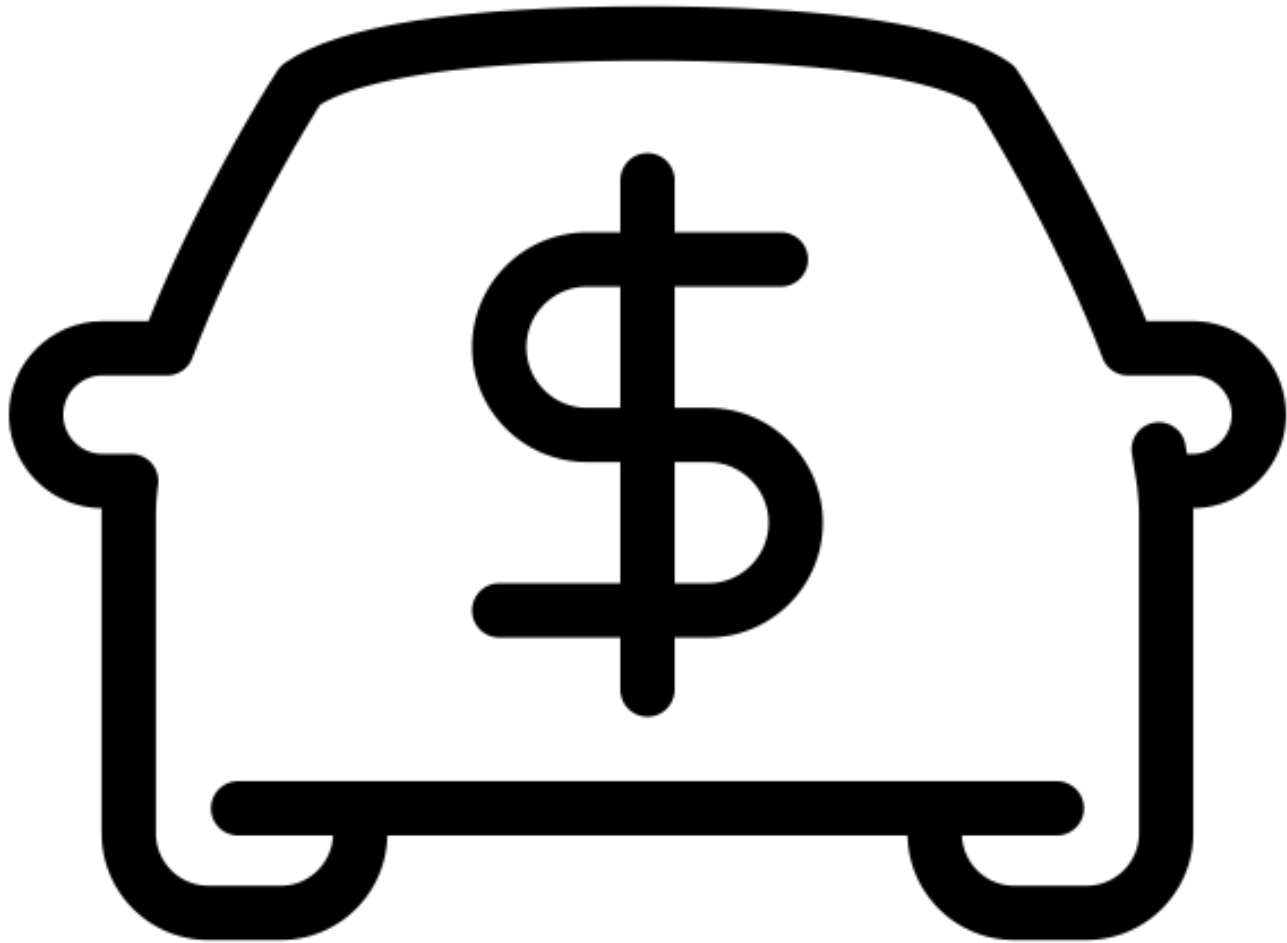
Illinois' Auto Title Loan
Industry and its Impact
on Consumers



Today's Agenda

- What is Title Lending?
- Current Illinois Law
- Review the Findings: Title Lending in IL
- Real Borrower Stories
- Policy & Program Recommendations
- Q & A

What is a Title Loan?



Current Illinois Law



Title loans are **exempt** from existing Illinois consumer protection laws

Current Illinois Law



There are **limited regulations**:

- Prohibits balloon payments
- Limits the loan principal amount to \$4,000
- Ensures that no monthly payment exceeds 50% of a borrower's gross monthly income
- Allows for refinancing once the borrower has payed off at least 20% of the principle

Spencer Cowan

**Senior Vice President
for Research**

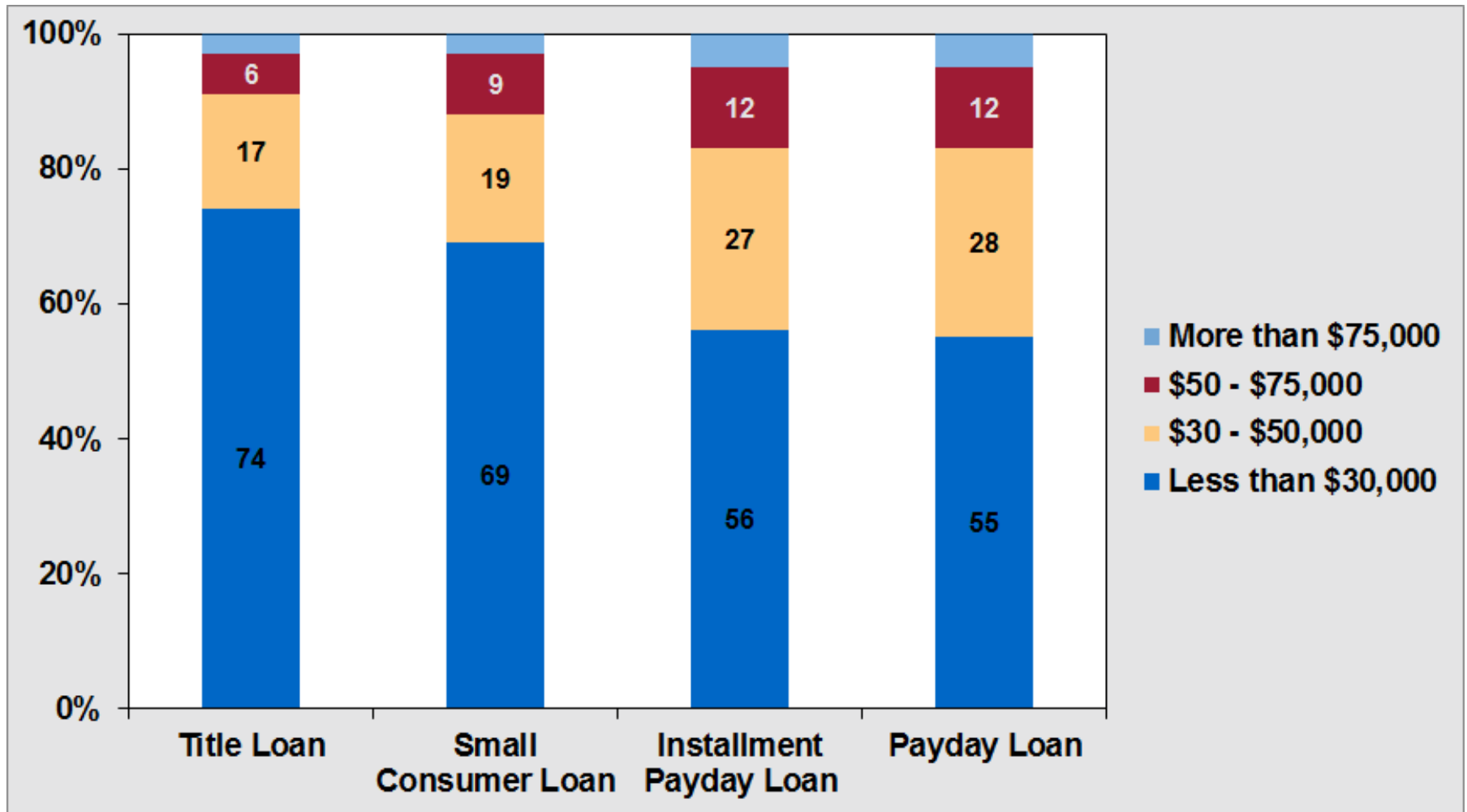
Woodstock Institute



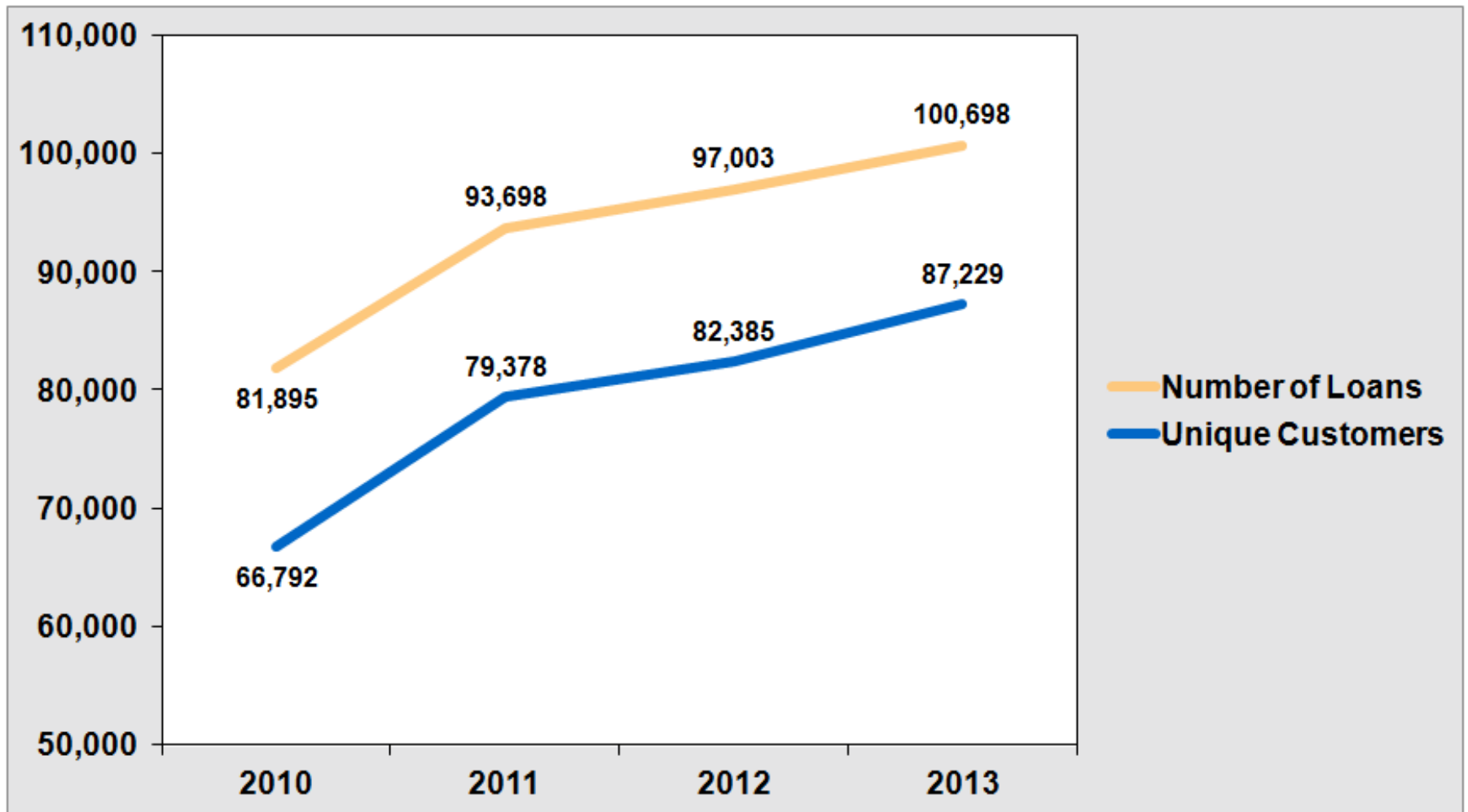
Data Overview

- Data on auto title lending in Illinois
 - from two IDFPR reports
 - denied access to loan data used to compile the reports
- Data from a sample of court cases in Cook County
 - Daley Center and Markham

Borrower Income Level



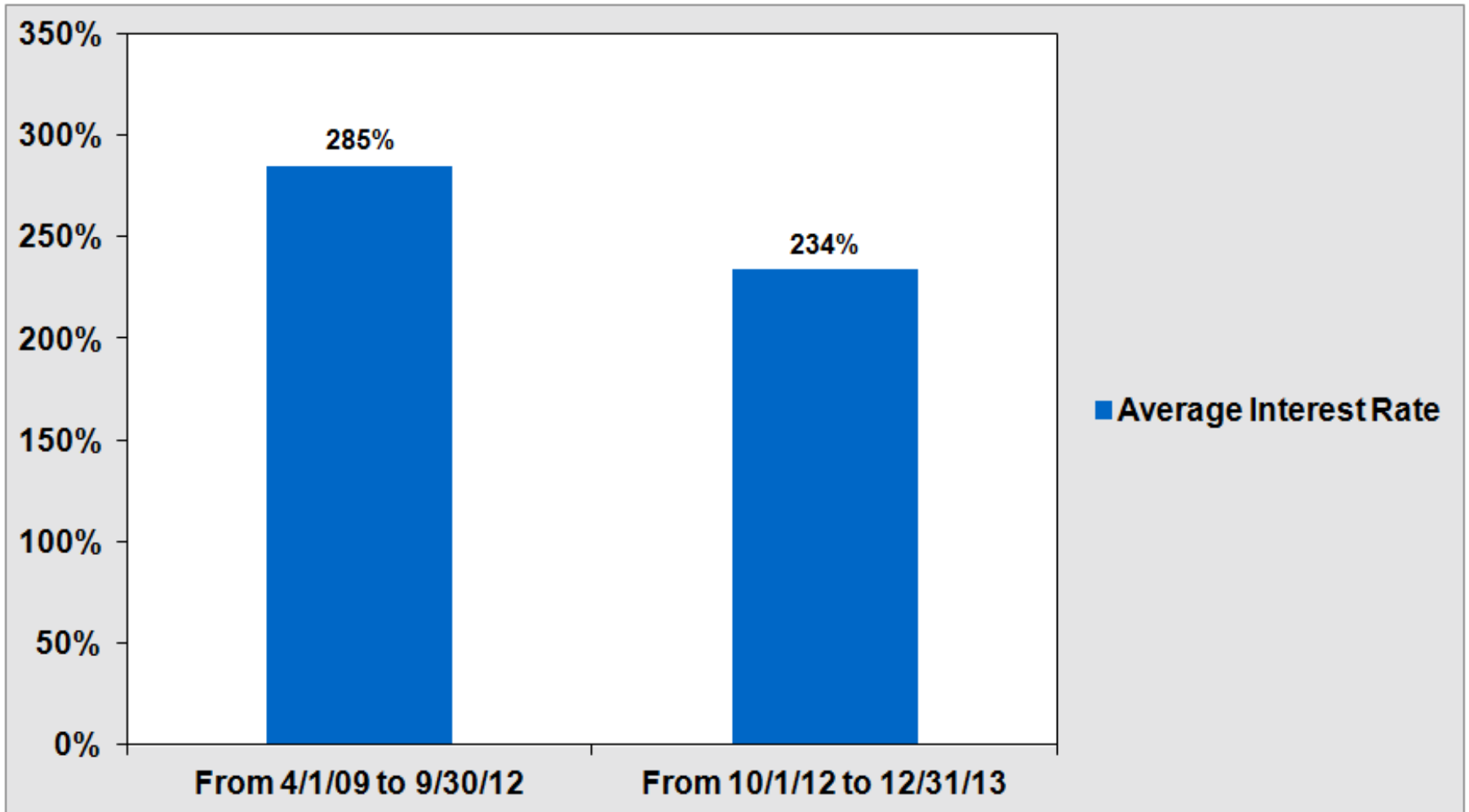
Customers and Loans



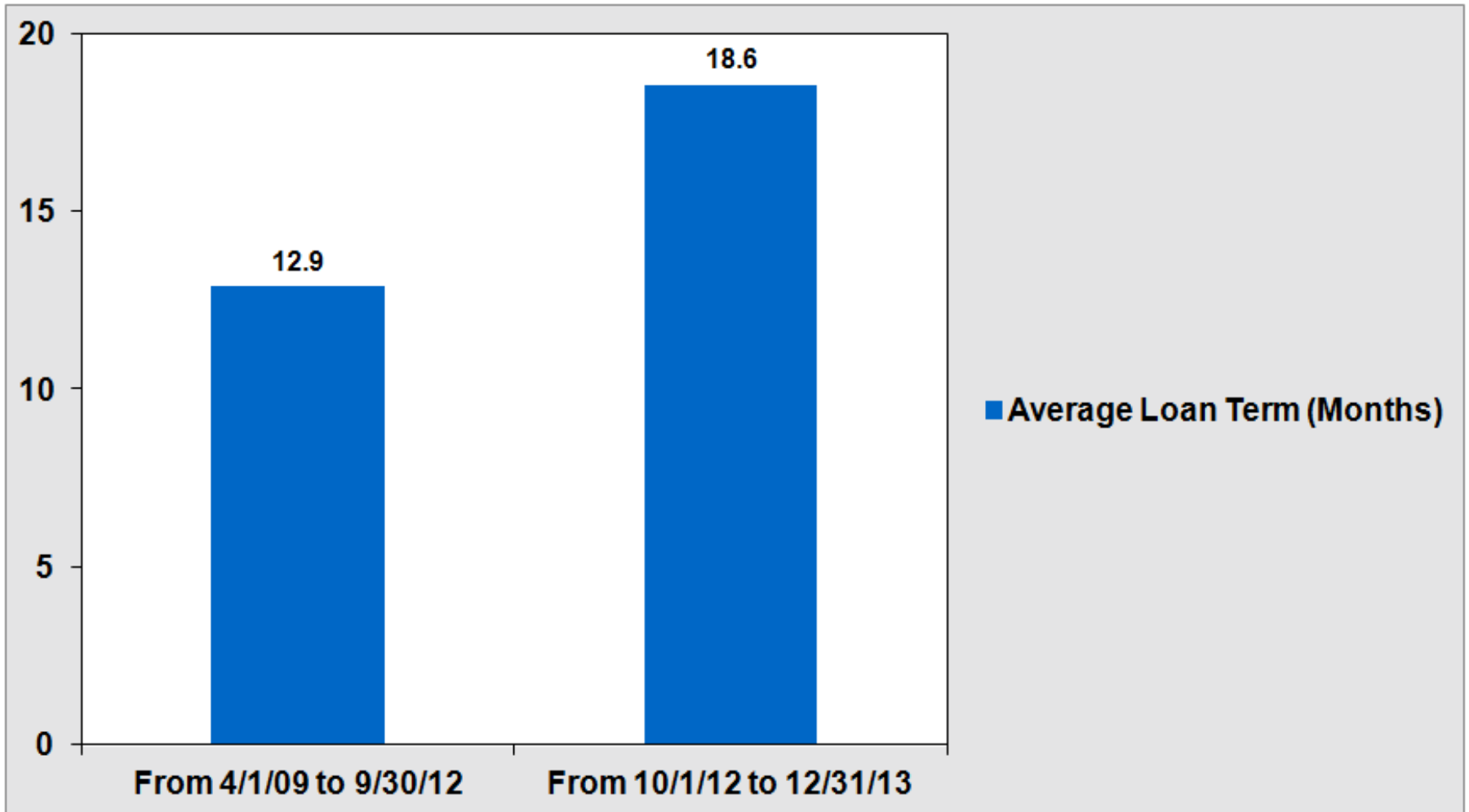
Repeat Customers

- Total Unique borrowers, 4/1/09 to 12/31/13
 - 256,849
- Total number of annual unique borrowers
 - 364,830
- Repeat borrowers in different years
 - 107,981
 - nearly 30% of unique customers borrowed in more than one calendar year

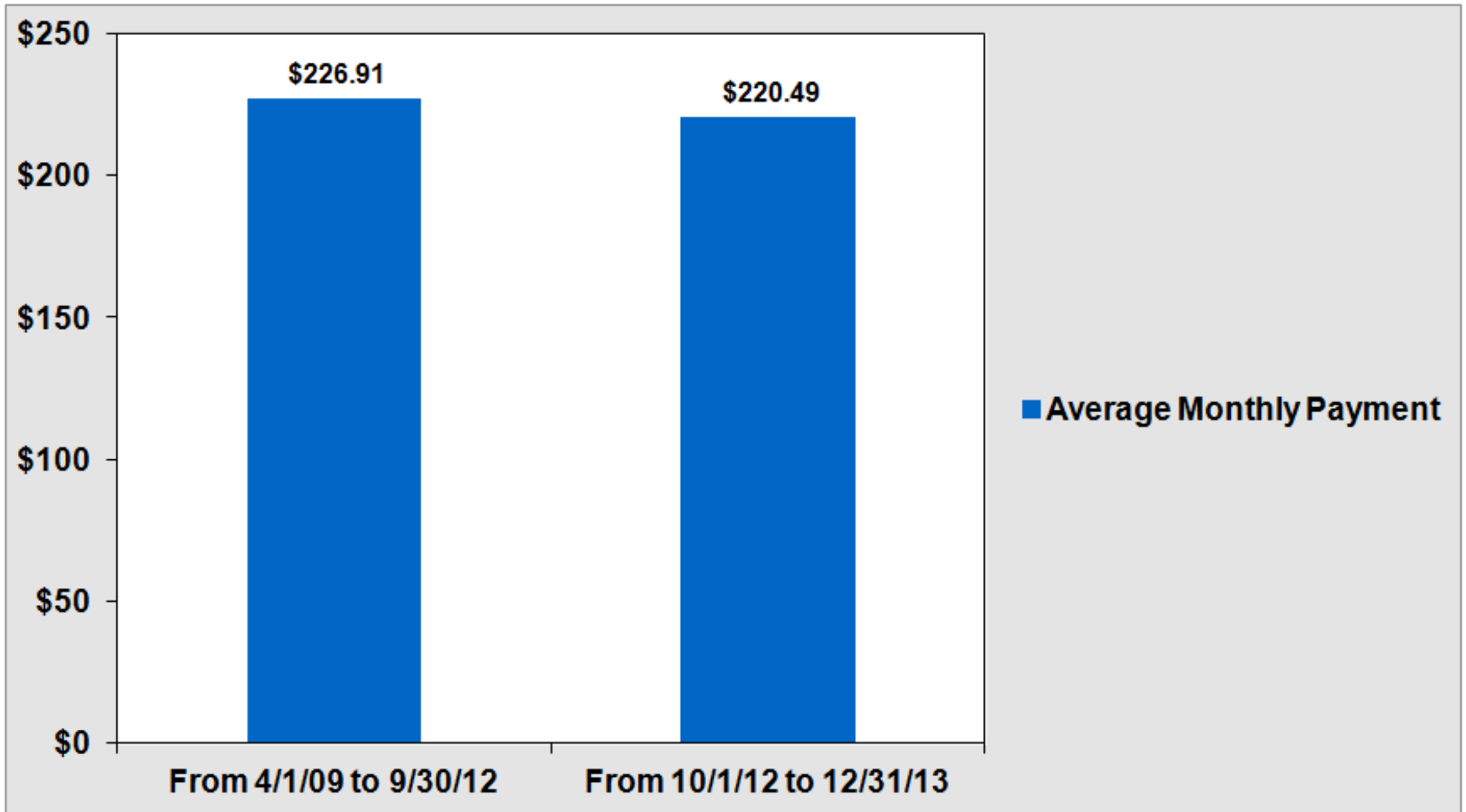
Average Interest Rate



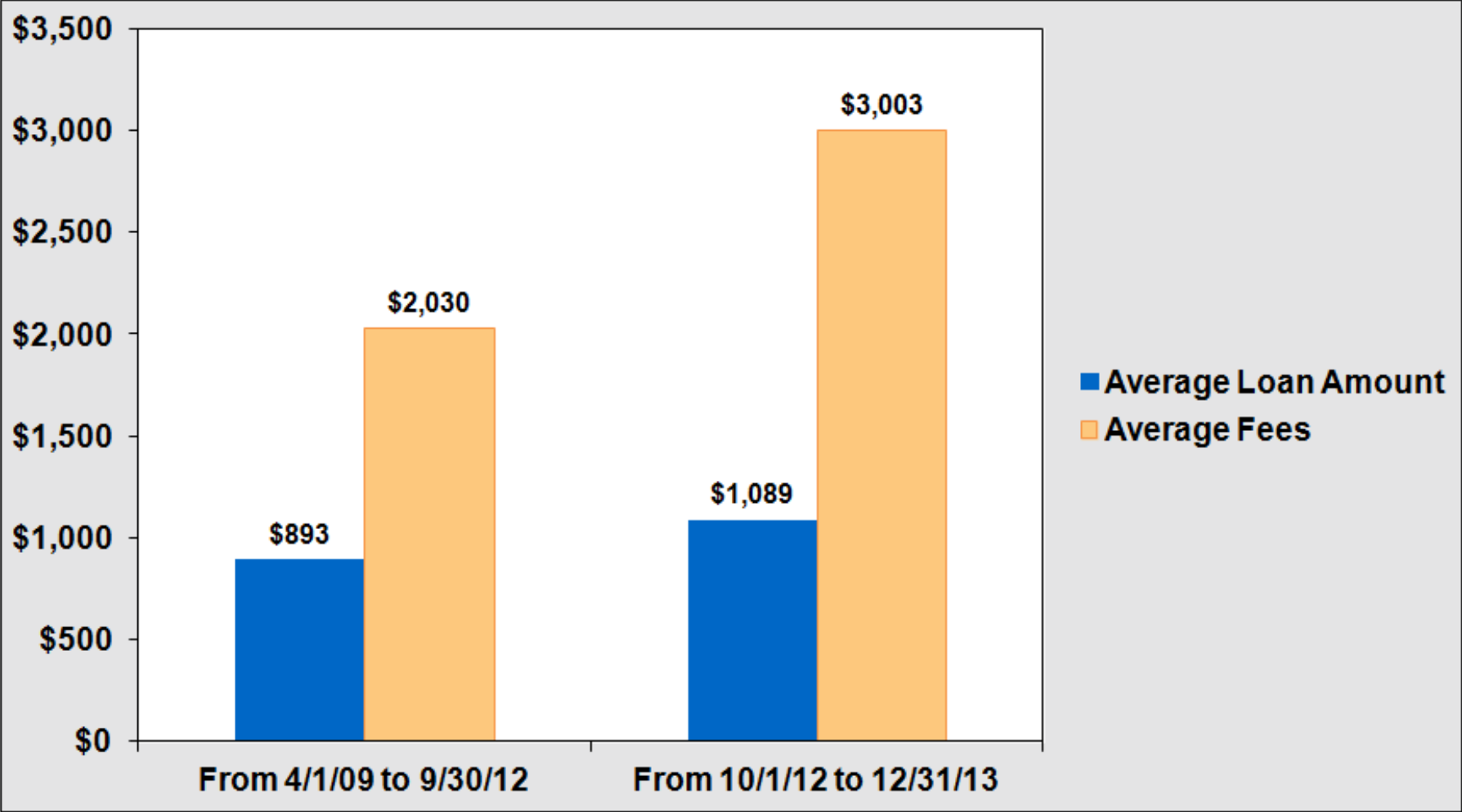
Average Loan Term



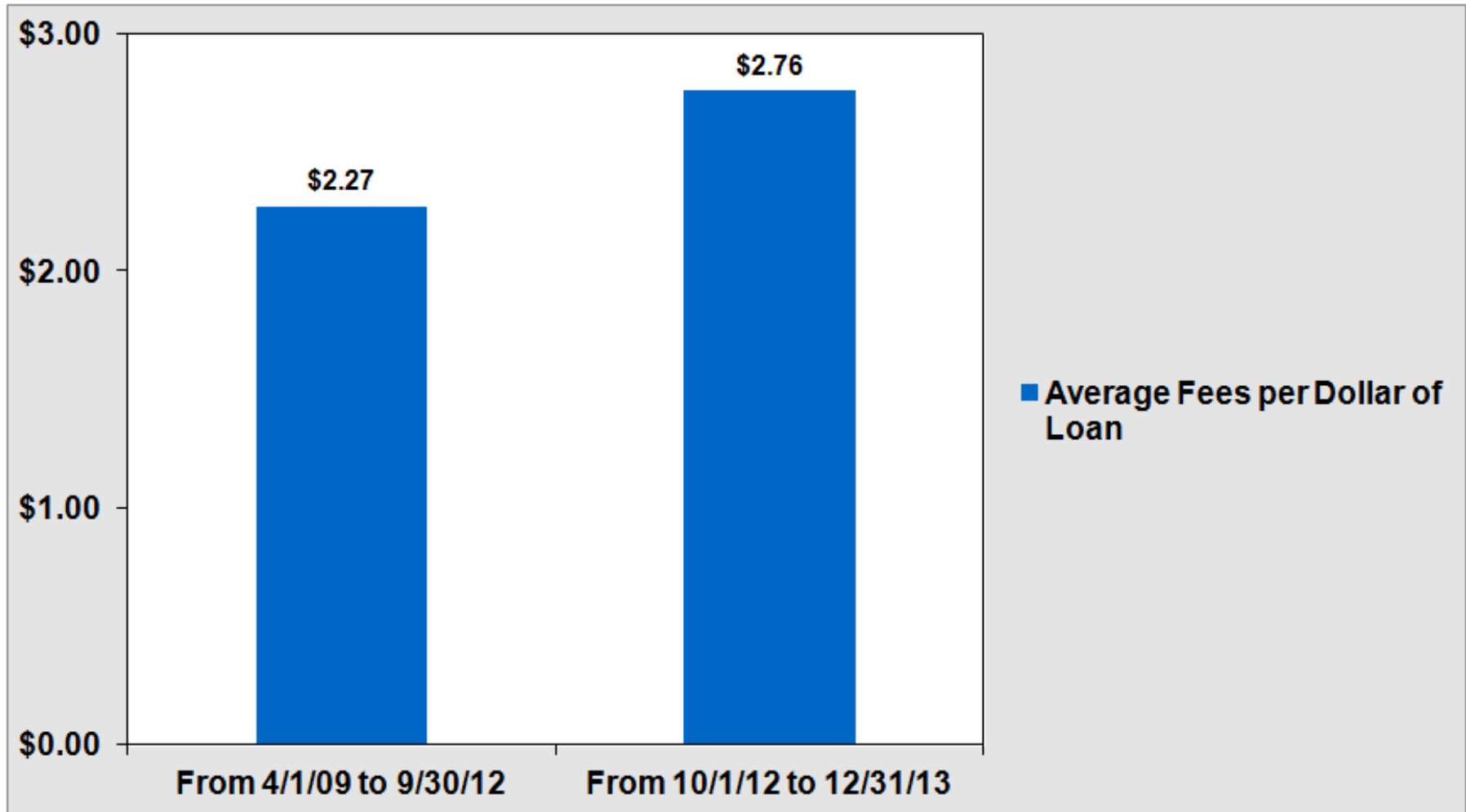
Average Monthly Payment



Loan Amount and Finance Charges



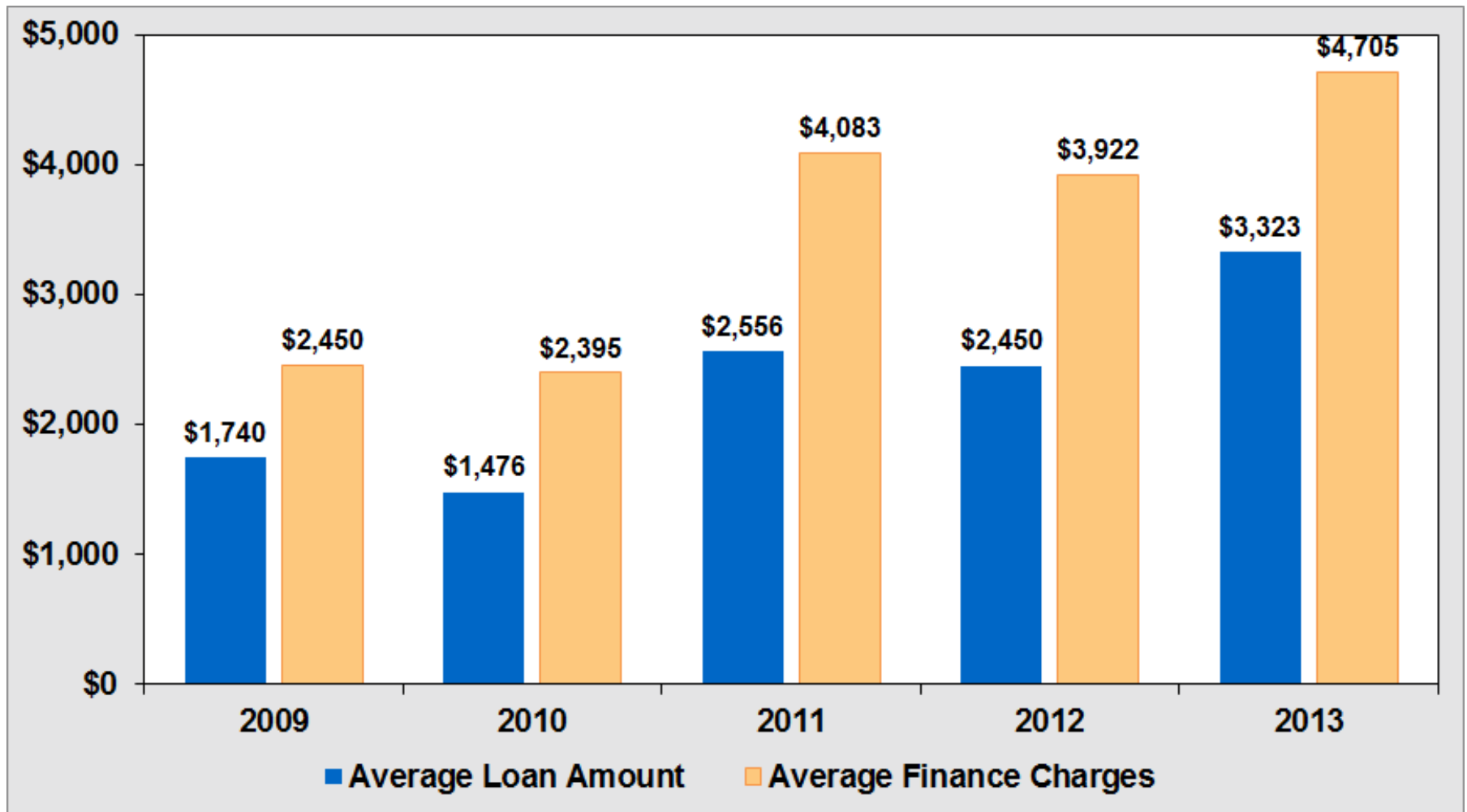
Paying More for Loans



Court Records

- Examined court records from Cook County
 - districts 1 (Daley Center) and 6 (Markham)
- 58 cases
 - loans originated between 4/09 and 7/13
- Not a random sample
 - only cases that went to court in Cook County

Loan Amounts and Finance Charges



Additional Observations

- Significant Internet lending
 - 27 borrowers from Illinois
 - 6 borrowers from Indiana or Wisconsin
 - 25 borrowers from other states
- All “other state” cases in Markham
 - Turbo Title Loan
- Lenders not listing collateral on form as required by law

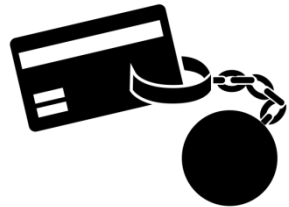
Paul's Story



Paul's Story



Paul cares for his two daughters in rural Illinois.

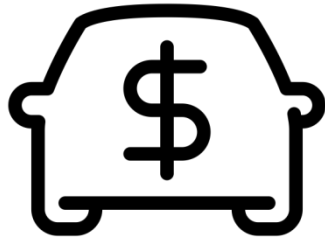


A family tragedy causes him to fall into debt and places a strain on his credit.



The added financial stress results in Paul to having a heart attack and facing additional medical bills.

Paul's Story



**\$2,000
Loan**

With poor credit and no access to mainstream financial products, Paul takes out an auto title loan.

Paul borrows against his car for \$2000.



He makes monthly payments of \$450 while accumulating \$15 in interest each day.

Paul's Story

\$4,200
Owed

When Paul finally pays off the loan early, he has given the auto title lender about \$4,200.

If Paul had not paid off the loan early, he would have spent over \$10,000 on a \$2,000 loan.

Mark's Story

Loan #1: \$1,095

APR: 304.17%

Fees: \$5,595.96

Loan Term: 24 months

Total Owed: \$6,609.96

Loan #2: \$1,500

APR: 304.17%

Fees: \$7,665.60

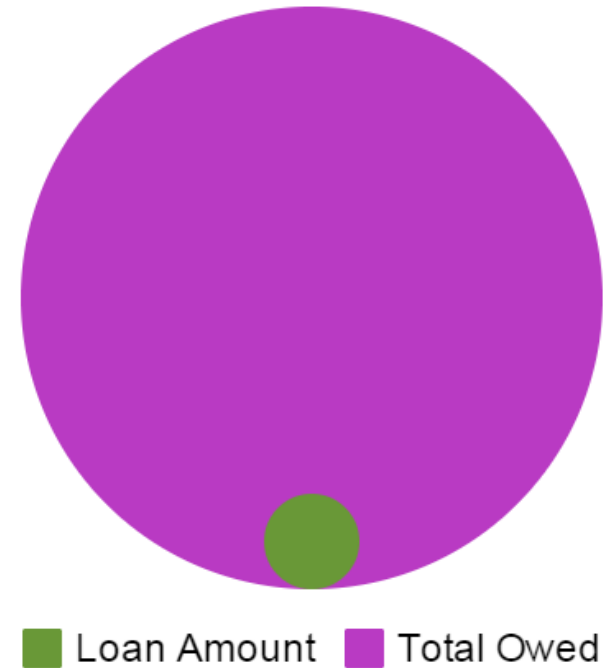
Loan Term: 24 months

Total Owed: \$9,165.60

Mark's Story

Total Borrowed:
\$2,595

Total Owed:
\$15,856.56



Policy Recommendations: *Federal*

Administrative:

Regulations requiring stronger underwriting

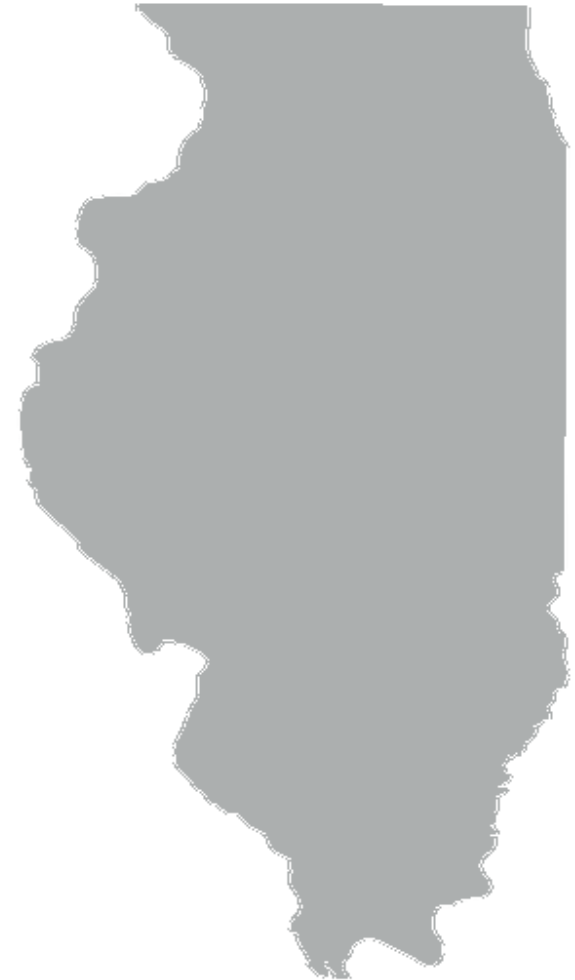


Legislative: 36% rate cap on all consumer loans



Policy Recommendations: *State Legislation*

1. 36% rate cap on all consumer loans
2. Access to IDFPR data



Policy Recommendations: *Financial Institutions*

Increased
access to
alternative,
low-cost, small
dollar loans.



CFPB as a Resource

Consumer Complaint Database

Submit complaints to:

www.consumerfinance.gov/complaint

OR

855-411-2372

Q & A

Please submit your questions via the
chat box

Contact Us

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