

Support Fair Lending in Illinois

Senator Lightford & Representative C. Mitchell

Predatory car title loans prey on Illinoisans with crippling interest rates as high as 304%. These loans trap consumers in debt they can't repay, and cause thousands every year to lose their car, a critical source of transportation to school and work. With annual interest rates averaging 188% and thousands of dollars in fees, **a \$500 title loan can cost up to 10 times more.**ⁱ

What are Car Title Loans?

Car title loans are a type of high-cost, small-dollar loan. They are similar to payday loans, but are secured by the title to the borrower's automobile - meaning that if the borrower falls short on payments, the lender can seize and sell their car.

The Real Cost of Title Loans

These are real loans taken out by Mark, a lifelong Chicagoan who retired after 42 years working for the Postal Service.ⁱⁱ

First Title Loan

Loan Amount: \$1,095
APR: 304.17%
Fees: \$5,595.96
Loan term: 24 months
Total Owed: \$6,690.96

Second Title Loan

Loan Amount: \$1,500
APR: 304.17%
Fees: \$7,665.60
Loan Term: 24 months
Total Owed: \$9,165.60

Total Borrowed:

\$2,595

Total Owed:

\$15,856.56

It's Time for a Fair Interest Rate

Illinois law does little to ensure that car title loans are fair and affordable. Car title loans are excluded from the Illinois laws that provide protections for payday loans.

28 states, including our neighbors in Indiana and Wisconsin, cap interest rates at 36% or prohibit car title lending altogether.ⁱⁱⁱ It's time for Illinois to follow suit.

The Fair Lending Act will finally give consumers relief from title loans by:

- Instituting a 36% APR cap on car title loans
- Establishing maximum loan term limits
- Creating protections in the event of a car repossession

Why are car title loans so predatory?

These loans target low-income families in crisis. 83% of Illinois title loan borrowers had incomes of less than \$50,000.ⁱ

With such high interest rates, the default rate on title loans is extraordinary – 41.3% in 2016.ⁱ This puts tens of thousands of Illinoisans at risk of losing their car.

ⁱ Illinois Trends Report: Select Consumer Loan Products through December 2016. Veritec Solutions, LLC. April, 2017.

ⁱⁱ No Right Turn: Illinois' Auto Title Loan Industry and its Impact on Consumers. Woodstock Institute and the Illinois Asset Building Group. Oct. 2015.

ⁱⁱⁱ Car Title Loan Regulation. Consumer Federation of America. November 2016.

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