

# SB2843: Support Fair Lending in Illinois

Senator Lightford – Collins – Manar – McCann – Holmes, Castro, Cunningham, Jones, Hastings, Mulroe, Martinez, T. Cullerton, Biss, Harris, Hunter, Hutchinson, Clayborne, Steans, Bennett, Bush, Raoul, McGuire, Haine, Murphy

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% that cost consumers thousands of dollars, **a \$500 title loan can cost up to 5 times more.** <sup>i</sup>

## 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. <sup>ii</sup>

#### 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 Michigan, cap interest rates at 36% or prohibit car title lending altogether.** <sup>iii</sup> 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

### Title Loans Profit Off of Illinoisans in Crisis

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

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

**Questions:** Contact Jody Blaylock, Heartland Alliance, at 904.563.0882 or [jblaylock@heartlandalliance.org](mailto:jblaylock@heartlandalliance.org)

## **The Following Organizations and Companies Support The Fair Lending Act:**

AARP

Center for Economic Progress

Center for Changing Lives

Chicago Coalition for the Homeless

Chicago Urban League

Coalition of Veterans Organizations

Community Organizing and Family Issues/POWER-PAC

Community Renewal Society

Consumer Federation of America

Englewood Community Connection Outreach Corp

Heartland Alliance for Human Needs & Human Rights

Illinois Asset Building Group

Illinois Chapter of the National Association of Consumer Advocates

Illinois People's Action

Illinois Public Interest Research Group (IL PIRG)

LISC Chicago

Navicore Solutions

Northwest Side Housing Center

Office of the Illinois Attorney General

Office of the Illinois State Treasurer

Partners in Community Building, Inc.

Project IRENE

Prosperity Now

Reimagine Illinois, SiX

Sargent Shriver National Center on Poverty Law

Somavida Pain Relief Center

Woodstock Institute

YWCA Metropolitan Chicago

---

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

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

<sup>iii</sup> Car Title Loan Regulation. Consumer Federation of America. November 2016.