



RENT-A-BANK LENDERS OPERATING IN ARIZONA

Online nonbank lenders are using a handful of small banks to launder predatory loans to Arizona consumers in an effort to evade Arizona’s usury cap and consumer protections that apply to Consumer Lenders licensed by the Arizona Department of Insurance and Financial Institutions.

Banks are generally not subject to state usury laws, so nonbank lenders try to use banks to front for loans and lines of credit, claiming that the bank is the “true lender,” not the nonbank online operation that markets, services, collects and has the main economic stake in loans.

Federal bank regulators are in the process of adopting rules to authorize “rent-a-bank” arrangements despite opposition from state banking regulators, attorneys general, and consumer advocates. Some states vigorously enforce their state usury laws and are generally avoided by rent-a-bank lenders. Arizona is not one of those states.

Arizona’s usury law caps rates at 36% annual interest for consumer lender loans and lines of credit up to \$3,000 and at 24% annual interest for loan amounts over \$3,000 up to \$10,000. Consumer Lenders can charge a one-time 5% administrative fee up to \$150. Arizona’s maximum legal rates are higher than the national average.¹ Arizona regulators require out-of-state online lenders to comply with the Consumer Lender law.²

RENT-A-BANK PRODUCTS ON THE MARKET IN ARIZONA (SEPTEMBER 2020)

OppLoans (Opportunity Financial LLC), Chicago, Illinois	
URL	https://www.opploans.com/
Bank	FinWise Bank or First Electronic Bank, both in Utah ³
Product	Installment loans of \$500 to \$4,000 with terms of 9-18 months at 160% APR
Example	A \$3,000 loan at 160% APR repaid in 12 monthly installments, total paid of \$6,859.20
Licenses	Collection Agency, license CA-0945745 No Consumer Lender license

¹ https://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/FactSheet-StateRateCap.pdf

² https://dfi.az.gov/sites/default/files/FE-AD-PO-Regulatory_and_Consumer_Alert_CL_CO_06%2009-16-2016.pdf

³ <https://www.opploans.com/bank-servicing/>

Rise Loans (Elevate Credit), Fort Worth, Texas	
URL	https://www.risecredit.com/
Bank	FinWise Bank, Utah
Product	Installment loans of \$500 to \$5,000 for 7 to 26 months at 99% to 149% APR interest
Example	\$2,000 loan at 149.36% APR and 26 bi-weekly payments of \$150, total paid \$3,900 ⁴
Licenses	No Consumer Lender license

Elastic Credit (Elevate Credit), Fort Worth, Texas	
URL	https://www.elastic.com/
Bank	Republic Bank and Trust, Kentucky
Product	Line of Credit of \$500 to \$4,500. No APR posted but NCLC reports an effective APR up to 109% ⁵
Example	\$1,000 loan, repaid over 10 months, total paid \$1,450 (\$1,000 loan plus \$350 Carried Balance Fee plus \$100 Cash Advance Fee) ⁶
Licenses	No Consumer Lender license

NetCredit (Enova), Chicago, Illinois	
URL	https://www.netcredit.com
Bank	Republic Bank and Trust, Kentucky
Product	Installment loans of \$1,000 to \$10,000 for terms of 12 to 60 months at 34.99% to 99.99% APR plus a \$25 late fee if all or part of a scheduled installment payment is not made within 15 days
Example	\$4,500 loan at 65% APR repaid in 50 \$262.53 monthly payments, total paid \$13,126.50 ⁷
Licenses	Consumer Lender, CL-0936848

⁴ <https://www.risecredit.com/how-online-loans-work/#WhatItCosts> select Arizona, viewed 8/13/2020

⁵ National Consumer Law Center Issue Brief, "Stop Payday Lenders' Rent-A-Bank Schemes," <https://www.nclc.org/images/Rent-a-bank-one-pager.pdf>

⁶ <https://www.elastic.com/what-it-costs/>

⁷ <https://www.netcredit.com/rates-and-terms/arizona> viewed 8/13/2020

Personify Financial, Dallas, TX (Applied Data Finance), San Diego, CA	
URL	https://www.personifyfinancial.com
Bank	First Electronic Bank, Utah
Product	Installment loans of \$500 to \$15,000 for terms of 24, 36, or 48 months at 35 to 179.99% APR plus a 5% loan origination fee added to the loan
Example	\$2,500 36-month loan at 176.84% APR plus a \$125 fee. Over the term of the loan, a borrower would repay \$13,086.36 which includes a finance charge of \$10,586.36
Licenses	Consumer Lender, CL-1000273 and CL-1000275 (Applied Data Finance)

Verge Credit (CURO Financial Technologies Corp.) Wichita Falls, Kansas	
URL	https://www.vergecredit.com
Bank	Stride Bank, Utah
Product	Installment loans of \$500 to \$5,000 for 6 to 60 months at 37% to 179% APR
Example	\$2,000 24-month loan at 94.02% APR. Total paid \$4,496.46 which includes a finance charge of \$2,496.46
Licenses	Escrow Agent, EA-1007370 (Verge Credit via Avio Credit, Inc.)

FILE A COMPLAINT:

To file a complaint with the Arizona **Office of Attorney General** regarding predatory lending, use the consumer complaint portal⁸. To report an unlicensed lender, file a complaint with the **Arizona Department of Insurance and Financial Institutions**⁹.

Complain to the federal **Consumer Financial Protection Bureau**¹⁰ if an unlicensed lender is attempting to collect a debt from you, if cost disclosures are deceptive, or if you are required to permit electronic payments from your bank account in order to get a loan.

FOR MORE INFORMATION:

To monitor the national scope of rent-a-bank lending, see the National Consumer Law Center's "**Predatory Rent-a-Bank Loan Watch List by State**"¹¹. To follow Arizona advocacy around rent-a-bank lending, see the **Arizonans' for Responsible Lending** website.¹²

⁸ <https://www.azag.gov/complaints/consumer>

⁹ <https://dfi.az.gov/complaints>

¹⁰ <https://www.consumerfinance.gov/complaint/>

¹¹ <https://www.nclc.org/issues/high-cost-small-loans/rent-a-bank-loan-watch-list.html>

¹² No More Loan Sharks AZ at <https://nomoreloansharksaz.org/Rent-A-Bank/>