



TITLE LENDERS AND CONSUMER LENDERS SHOULD PLAY BY THE SAME RULES IN AZ

AZ LEGISLATURE SHOULD REPEAL THE TITLE LOAN CARVE-OUT FROM ARIZONA'S USURY LAW

Recommendation: The Arizona Legislature should repeal the Secondary Motor Vehicle Finance Transaction law at Title 44, Chapter 2.1. so that title lenders are required to comply with the Consumer Lender law at A.R.S. § 6-601 et seq.

Title lenders are Sales Finance companies authorized under Title 44, Chapter 2.1 that charge triple-digit rates up to 204% APR for cash loans "secured" by the borrower's vehicle. This law was enacted in 2000 along with the payday loan law as a carve-out from Arizona's usury law.

Title loans trap consumers in unaffordable debt who risk repossession if borrowers cannot repay. Title loans are based on the lender's ability to collect, not on the borrower's ability to repay the loan. Title lenders can make balloon payment loans which are hard to repay. Consumers are harmed by usurious title loans. See links below.

Licensed Sales Finance lenders also make cash loans to consumers purportedly "secured" by the borrower's registration for a vehicle without a clear title. These are payday loan look-alike loans exploiting the weak title loan law and lax enforcement to continue making triple-digit rate loans to consumers following sunset of the payday loan law in 2010.

Loans secured by borrowers' vehicles can be made under the Consumer Lender law, Arizona's usury law that applies to unsecured and secured installment loans for lenders licensed by DIFI. Consumer Lender rates are capped at 36% on loans up to \$3,000 and 24% on larger loans, plus a 5% fee. Permitting title and "registration" loan lenders to charge triple-digit rates is unfair competition to licensed Consumer Lenders.

Title lenders and Consumer lenders should play by the same rules of the Consumer Lender law to better protect consumers and fair competition.

Comparison of Protections for Consumers

Key Law Terms	Consumer Lenders	Car Title Lenders
Maximum Loan Amount	\$10,000 DIFI / \$15,000 RSP	No limit
Maximum Interest Rate (APR)	36% on first \$3,000 24% on remainder	204% on \$500 180% to \$2,500 156% to \$5,000 120% over \$5,000
Fees	5% origination fee up to \$150 maximum	5% late pay fee
Maximum Loan Term	24 months + 15 days for \$1,000 60 months + 15 days (tiered) for up to \$6,000 Any agreed term for >\$6,000	No term limits
APR Example	2-year \$2,000 loan at 41% APR	1 month \$2,000 loan at 180% APR
Payment Schedule	Equal installments, no balloon payment terms	No protections, balloon payments permitted
Referral Fees	Prohibited	No protections
Prepayment Penalties	Prepayment allowed at any time. Prepaid finance charges prohibited	No protections

For more information on the risks of car title loans:

- 1) See the factsheet titled "[Car Title Loan Harm and Risks from CFPB Analysis](https://nomoreloansharksaz.org/Title-Lending/)", December 2018, at <https://nomoreloansharksaz.org/Title-Lending/>
- 2) See CEI's [research reports on Car Title Lending](https://economicintegrity.org/) including a [2025 Update](https://economicintegrity.org/), at <https://economicintegrity.org/>