

Caution: HB 2240 will harm struggling Arizonans



Don't open the doors to more predatory lending!

HB 2240 increases the cost of pawnbroker loans to 240% APR - at these rates, we can be sure predatory lenders will exploit this law!

HB 2240 alters Arizona's pawnbroker statute to authorize even more high-cost loans to Arizonans who cannot afford to pay them off. As currently written, HB 2240:

- Increases the overall cost of pawnbroker loans and allows rates of 2% every 30 days and a pawn service charge of ANY amount, as long as it doesn't exceed 20% of the loan amount for each 30 day period. **The result? 240% APR—higher than even the highest car title loan rate of 204% for a loan of \$500 or less.**
- Shortens the period of time consumers have to pay off a pawn loan and get back their possessions. The 90 day pawn loan term is being slashed to 30 days plus a 30 day "grace period." Borrowers who renew the loan at the end of the initial loan plus grace period must pay for the full 60 days. The law could even allow unlimited renewals, but the current language is unclear.
- HB 2240 aligns the pawn statute with the title loan business model of one-month balloon payment loans at triple-digit rates. This is a slippery slope toward allowing title loans under the pawn law at 240%, even higher than currently permitted for title loans
- Keeps supervision of pawn loan industry with county sheriffs, which is problematic if HB 2240 permits predatory loans that should be under the supervision of the Department of Financial Institutions.

HB 2240 by the numbers:

The following table looks at the cost of a \$700 loan – the average car title loan size according to a 2016 CFPB report. It compares a 30-day loan and a loan renewed for an additional 30 days under HB 2240 with the current 90-day loan under the pawnbroker law. It assumes that pawnbrokers are charging the maximum 20% monthly charge, and 3 months of substantially equal payments and that the set up and storage fee is charged upon redemption.

	HB240 (30 days)	HB2240 (renewed during grace period)	Current law (90 day minimum term)
Principal	\$ 700	\$ 700	\$ 700
Interest	\$ 14	\$ 28	\$ 185
Fees	\$ 126	\$ 252	\$ 20
Total cost of borrowing	\$ 140	\$ 280	\$ 205
Effective APR	240%	240%	168%