



# ARIZONA CONSUMER LENDERS

## USURY CAP PROTECTS BORROWERS WHILE MAKING CREDIT AVAILABLE

Arizona Consumer Lenders<sup>1</sup> are licensed and regulated by the Arizona Department of Financial Institutions. Lenders that would otherwise need a license may be accepted to enter the Attorney General's Regulatory Sandbox Program to test "innovative" products and services.<sup>2</sup>

**Required to be licensed:** Non-bank lenders making at least three consumer loans per calendar year to state residents. Excluded: Banks, savings banks, trust companies, savings and loan associations, credit unions, etc. Not required to be licensed as CL: licensed pawnbrokers, mortgage brokers, certain educational loans.

**Loans covered:** Loans of \$10,000 or less subject to statute. Closed or open-end loans.

**Maximum loan terms** depend on the size of the loan. Loans up to \$1,000: 24 months and 15 days maximum term. Loans up to \$2,500: term of 36 months and 15 days. Loans up to \$4,000: 48 months and 15 days. Loans greater than \$4,000 but no more than \$6,000: term of 60 months and 15 days. Any agreed period for loans of more than \$6,000.

**Maximum Interest rates:** Rates tiered by size of loan. Loans of \$3,000 or less: 36 percent. Loans greater than \$3,000: 24 percent on amount greater than \$3,000 or equivalent blended rate. Applies same rate cap to open-end loans. There is no usury cap for loans larger than \$10,000. Arizona's criminal usury statute, § 13-2208, only criminalizes charging interest greater than authorized by other law.

**Fees:** Loan origination fee of 5 percent of loan, up to \$150. Fee cannot be charged if loan is refinanced within one year. Recording fees or cost of non-filing insurance up to the amount for recording fees. Statute prohibits all fees not specifically authorized.

**Total Cost of Loans:** Cost of sample loans/cash advances at maximum interest rate and administrative fee: \$500 six-month loan/advance: 54% APR. \$2,000 two-year loan/advance: 41% APR.<sup>3</sup> Cap for a \$10,000 five-year loan: 30% APR. Twenty-eight states set lower caps than Arizona for a \$10,000 loan.<sup>4</sup>

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<sup>1</sup> Ariz. Rev. Stat. Ann. §§ 6-601 to 6-638 (Consumer Lenders Act) at <https://www.azleg.gov/arsDetail/?title=6>  
See Chapter 5.

<sup>2</sup> <https://www.azag.gov/fintech>

<sup>3</sup> National Consumer Law Center, "Predatory Installment Lending in 2017," Appendix C, page 3.  
<https://www.nclc.org/images/pdf/pr-reports/installment-loans/appendixC-installment-loans.pdf>

<sup>4</sup> National Consumer Law Center, "A Larger and Longer Debt Trap? Analysis of States' APR Caps for a

**Insurance:** Lenders can sell property insurance on collateral for loans, credit life insurance, credit disability insurance, and credit unemployment insurance. Consumer Lender licensees are permitted to sell non-credit insurance including life insurance, accidental death and dismemberment insurance or disability income protection insurance. (§ 6-638)

**Balloon payments:** Prohibited. Loan notes must provide approximately equal periodic installments.

### Arizona Department of Financial Institutions Consumer Lender Licensees

The Arizona Department of Financial Institutions licenses and supervised Consumer Lenders. As of February 2019, 100 entities are licensed as Consumer Lenders with 209 licensed locations. Of those licensed locations, 98 are out-of-state addresses with no branches located in Arizona. Another 96 licensed locations are out-of-state but have branches with Arizona addresses. Only 15 licensed locations are Arizona-based companies.<sup>5</sup>

#### The largest Consumer Lenders by number of licensed locations are:

Lendify Financial <sup>6</sup>	(46)
OneMain Consumer Loan and OneMain Financial	(32)
Opportun, Inc.	(12)
Lendmark Financial Services	(6)
MoneyMart	(5)

### Sandbox Consumer Lender

The Attorney General has admitted one consumer lender to the Regulatory Sandbox Program. Grain Technology, Inc. will make loans via proprietary technology to offer consumers customized savings plans and a small line of credit aimed at providing overdraft protection for bank accounts. Rates for this credit will be as low as 12% up to 15.99% for users who choose a different repayment option.<sup>7</sup> The product is not currently on the market per <https://trygrain.com/> although a small group of users may be testing the product as of February 2019.

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<sup>5</sup> \$10,000 Five-Year Installment Loan," October 2018, page 11.

<https://www.nclc.org/images/pdf/pr-reports/installment-loans/installment-loans-report-2018.pdf>

<sup>6</sup> Look up Consumer Lender Licensees (CL) on master list at <https://dfi.az.gov/licensee-lookup>

<sup>7</sup> Name changed to Aura Financial, <https://myaura.com/home>

<sup>7</sup> Office of Attorney General, Press Release, Oct. 29, 2018 at <https://www.azag.gov/press-release/two-more-participants-join-arizonas-fintech-sandbox-first-arizona-based-company>

## Twenty Licensed Consumer Lenders Report Rates for \$500 Installment Loans<sup>8</sup>

Licensees as of February 2019 that reported making \$500 unsecured loans, repayable in twelve equal monthly installments, as of September 30, 2018:

Ajeva LLC	9.99 %	-	29.99 %
Atlantic Financial, Inc.	8.99 %	-	19.99 %
Climb Investco LLC	7.59 %	-	20.49 %
Community Investment Corp.	3 %	-	15 %
Domuso Inc.	10 %	-	30 %
Finco Holding Corp.	35.5 %	-	36 %
Frontera Financial LLC	36 %		
Great Rivers Community	11.92 %	-	12.004 %
IRC's Center for Economic Opportunity Inc., (The)	7.25 %	-	20 %
Kashable LLC	6 %	-	36 %
Lendmark Financial Services, LLC	35.99 %		
New Credit America LLC	9.99 %		
OneMain Financial Group, LLC	36 %		
Scratch Financial LLC	5.9 %	-	28.9 %
Sonariz Financial & Mortgage, Inc.	18 %	-	36 %
Southwest Financial Services of Arizona, Inc.	18 %	-	36 %
Southwest Financial Services of Phoenix, Inc.	18 %	-	36 %
Square Capital, LLC	9 %	-	20 %
Ziero Financial Inc.	17.93 %	-	19.42 %

Lenders are not required to report on standard rates of charge for larger unsecured closed-end installment loans or for \$500 loans with terms shorter than twelve months.

Fifteen licensed Consumer Lenders report rates for a \$2,500 loan secured by a motor vehicle, payable in 36 equal monthly installments.

<sup>8</sup> Arizona Department of Financial Institutions, "Consumer Loan Standard Rate of Charge Report, Quarterly Report as of 9/30/2018", viewed 2/25/2019 at [https://dfi.az.gov/sites/default/files/media/3rd%20Qtr%202018%20Consumer%20Loan%20Standard%20Rate%20of%20Charge%20Report\\_o.pdf](https://dfi.az.gov/sites/default/files/media/3rd%20Qtr%202018%20Consumer%20Loan%20Standard%20Rate%20of%20Charge%20Report_o.pdf)

Licensed Consumer Lenders required by ARS § 6-609(D) to file rates for sample loans.