

## 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. The OCC adopted a controversial "true lender" rule that applies to national banks but the FDIC has not adopted a similar rule for state banks. 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.<sup>1</sup> Arizona regulators require out-of-state online lenders to comply with the Consumer Lender law.<sup>2</sup>

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

OppLoans (Opportunity Financial LLC), Chicago, Illinois	
URL	<a href="https://www.opploans.com/">https://www.opploans.com/</a>
Bank	FinWise Bank, Capital Community Bank, and First Electronic Bank, all in Utah <sup>3</sup>
Product	Installment loans of \$500 to \$4,000 with terms of 9-18 months at 160% APR
Example	A \$4,000 loan at 160% APR repaid in 18 monthly installments, total paid of \$10,712.52.
Licenses	Collection Agency, license CA-0945745 No Consumer Lender license

<sup>1</sup> [https://www.nclc.org/images/pdf/high\\_cost\\_small\\_loans/payday\\_loans/FactSheet-StateRateCap.pdf](https://www.nclc.org/images/pdf/high_cost_small_loans/payday_loans/FactSheet-StateRateCap.pdf)

<sup>2</sup> [https://dfi.az.gov/sites/default/files/FE-AD-PO-Regulatory\\_and\\_Consumer\\_Alert\\_CL\\_CO\\_06%2009-16-2016.pdf](https://dfi.az.gov/sites/default/files/FE-AD-PO-Regulatory_and_Consumer_Alert_CL_CO_06%2009-16-2016.pdf)

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

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

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

NetCredit (Enova), Chicago, Illinois	
<b>URL</b>	<a href="https://www.netcredit.com">https://www.netcredit.com</a>
<b>Bank</b>	Republic Bank and Trust, Kentucky
<b>Product</b>	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
<b>Example</b>	\$4,500 loan at 65% APR repaid in 50 \$262.53 monthly payments, total paid \$13,126.50 <sup>7</sup>
<b>Licenses</b>	Consumer Lender, CL-0936848 and Collection Agency, CA-0937430

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

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

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

<sup>7</sup> <https://www.netcredit.com/rates-and-terms/arizona> viewed 12/11/2020

Personify Financial, Dallas, TX (Applied Data Finance), San Diego, CA	
URL	<a href="https://www.personifyfinancial.com">https://www.personifyfinancial.com</a>
Bank	First Electronic Bank, Utah
Product	Installment loans of \$500 to \$15,000 for terms of 9, 12, 18, 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	<a href="https://www.vergecredit.com">https://www.vergecredit.com</a>
Bank	Stride Bank, N.A., 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 portal<sup>8</sup>. To report an unlicensed lender, file a complaint with the **Arizona Department of Insurance and Financial Institutions**<sup>9</sup>.

Complain to the federal **Consumer Financial Protection Bureau**<sup>10</sup> 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 an installment 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**"<sup>11</sup>. To follow Arizona advocacy around rent-a-bank lending, see the **Arizonans' for Responsible Lending** website.<sup>12</sup>

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

<sup>9</sup> <https://dfi.az.gov/complaints>

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

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

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