

## Car Title Lending in AZ

Arizona law<sup>1</sup> permits car title lending at 120 to 204% APR. This type of small loan generally requires the borrower to use their car as collateral to guarantee that the loan will be repaid in full at interest rates far higher than Arizona's usury law permits for regular consumer lender loans.

A two-year loan of \$2,500 at 156.21% APR required 24 monthly payments of \$343.65 for a **total repayment of \$8,247 which includes \$5,747 in interest.**

Families that obtain a car title loan end up in a repeat borrowing situation which puts them at risk of losing their car to repossession or having a default judgment imposed by the courts followed by a garnishment of their wages to collect on the loan.

According to data collected by the Consumer Financial Protection Bureau, one in five title loan borrowers eventually lose their vehicles to repossession.<sup>2</sup> In addition to repossession, lenders file civil lawsuits to collect on defaulted loans. In a typical year, Arizona borrowers pay **\$254,924,519 in fees and interest** for car-title loans, according to research by the Center for Responsible Lending.<sup>3</sup>

There are many reasons why families need to borrow small amounts of money to supplement the cash they have on hand. Paychecks vary depending on scheduling and hourly wages fluctuate. Unanticipated life events arise unexpectedly such as medical bills. But high interest rate short-term loans are incredibly difficult to pay off and end up costing double or triple the original amount of money borrowed. It becomes a debt trap and makes a difficult financial situation in the short term, a financial disaster longer term.

Watch a short video of Pastor Randy Reynolds' testimony about the harm done to consumers in Tucson, AZ by high-interest car title loans, at: <https://vimeo.com/695066550/6bb0b2d41f> or scan the adjacent QR code.



There are alternatives to car title, registration or online payday loans and families are encouraged to explore a wide array of options.<sup>4</sup> You can also file a complaint online with the office of the Attorney General.<sup>5</sup>

---

<sup>1</sup> A.R.S. 44-281 "Secondary Motor Vehicle Finance Transaction" loans, in Motor Vehicle Time Sales Disclosure Act ([A.R.S. Title 44](#), Chap. 2.1)

<sup>2</sup> CFPB, Press Release, "CFPB Finds One-in Five-Auto Title Loan Borrowers Have Vehicle Seized for Failing to Repay Debt," May 18, 2016 at <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-one-five-auto-title-loan-borrowers-have-vehicle-seized-failing-repay-debt/>

<sup>3</sup> CRL, "Payday and Car Title Lenders Drain Nearly \$8 Billion in Fees Every Year", April 25, 2019 at: <https://www.responsiblelending.org/research-publication/payday-and-car-title-lenders-drain-8-billion-fees-every-year>

<sup>4</sup> <https://economicintegrity.org/wp-content/uploads/2021/08/2021-07-01-Wildfire-I-NEED-CASH-NOW.-WHAT-CAN-I-DO.pdf>

<sup>5</sup> File an online consumer complaint at <https://www.azag.gov/complaints/consumer>