



September 26, 2025

Ms. Maria Ailor, Interim Director

Arizona Department of Insurance and Financial Institutions
100 North 15th Avenue, Suite 261
Phoenix, AZ 85007-2630

Re: Regulatory Bulletin 2025-04 (DFI)

On behalf of Arizona consumers, The Center for Economic Integrity (CEI) appreciates the opportunity to comment on the question of whether licensed Consumer Lenders are permitted to make loans exceeding \$10,000 and, if not, whether such a lender should be able to legally make a loan exceeding \$10,000 by obtaining a Sales Finance license to make Secondary Motor Vehicle Finance Transaction loans. As we explain in this comment, under current law licensed consumer lenders are limited by statute to loans not exceeding \$10,000. It would be a mistake to allow any Consumer Lender to offer a loan exceeding \$10,000 under any circumstances, including as part of a Secondary Motor Vehicle Finance Transaction loan. We are glad to share our views and look forward to participating in the Department's ad hoc policy making outreach on this issue.

The Center for Economic Integrity (CEI) is a nonprofit organization based in Tucson that advocates on behalf of consumers concerning financial products that are particularly harmful to vulnerable families. CEI has focused on the harm to those families from payday loans, consumer lender loans, and car title loans for over twenty years by advocating to eliminate the harm from such products via legislation and by working with a state-wide coalition to defeat the Payday Lending Industry's Prop 200 ballot initiative which was overwhelmingly rejected by Arizona voters in 2008 that resulted in making payday lending illegal statewide in 2010.

Question 1: Are licensed Consumer Lenders permitted to make loans larger than \$10,000?



The definitions in Title 6, Chapter 5 limit Consumer Lender licensees to the \$10,000 maximum loan.

Arizona Statutory Consumer Lender Law requires Consumer Loans by licensed Consumer Lenders to adhere to a maximum of \$10,000. A "consumer lender" as defined by A.R.S. § 6-601.5 is "a person that advertises to make or procure, solicits or holds itself out to make or procure, or makes or procures consumer lender loans to consumer in this state" is required to hold a license. A "consumer loan . . ." means the direct closed end loan of money, whether unsecured or secured by personal or real property, in the amount of \$10,000 or less that is subject to a finance charge in which the permitted amount of the loan is considered, and not any finance charges or other fees allowed pursuant to section 6-635, for the purpose of determining whether the consumer loan is \$10,00 or less." A.R.S. § 6-601.7. The same parameter applies to open-end credit. Arizona law also defines a "consumer revolving loan" with a credit limit also limited to \$10,000 or less. A.R.S. § 6-601.9. The Consumer Lender law goes on to clarify that it does not apply to "closed end loans of more than \$10,000 or advances on open end revolving loans with a credit limit larger than \$10,000" and that "A consumer loan made pursuant to a consumer lender license is not a secondary motor vehicle finance transaction as defined in section 44-281." A.R.S. § 6-602.B and C. The purpose of all these definitions is to place a maximum loan amount of \$10,000 for any consumer loan by a licensed consumer lender, regardless of the particular description or form of the loan. Thus, any licensed Consumer Lender attempting to loan more than \$10,000 violates Arizona Consumer Lender Law.

Recommendation: The Arizona legislature should amend the Consumer Lender law to cover larger loans.

Arizona does not have an underlying usury law that prohibits excessive interest rates for all loans. Many states have such usury laws that limit all interest rates to a reasonable level and then use their consumer lender laws to carve out an exception to that lower rate. The interest rate cap in the Arizona Consumer Lender law, in contrast, is the only protection Arizona consumers have against oppressive unreasonably burdensome loan terms. A.R.S. § 13-2208 does make it a criminal offense to charge excessive interest rates but does not itself set a cap - it only makes it illegal to charge rates greater than authorized by other laws, such as the Consumer Lender law. CEI supported raising the maximum loan ceiling covered by the Consumer Lender law to \$50,000 when S.B. 1463 was enacted in 2021, if it



was raised in conjunction with rate caps of 18% for loan amounts over \$10,000 up to \$15,000 and 12% for loan amounts over \$15,000. Unfortunately for consumer borrowers, the 2021 update to the Consumer Lender law did not include our proposed higher loan limit with the corresponding caps.

Arizona Consumer Law needs to more adequately protect its vulnerable consumers from burdensome interest rates and charges. The National Consumer Law Center survey of states on rates permitted for consumer loans illustrates that Arizona law permits higher rates than the national median. Of the 42 states plus DC that cap rates for a sample \$10,000 five-year closed end loan, the median maximum rate is 27% APR. Arizona lenders are permitted to charge 30% due to blended rates and a permitted 5% administrative fee up to \$75. See: NCLC report “Larger Loans Need Lower rates: A 50-State Survey of the APRS Allowed for A \$10,000 Loans,” March 2024 at [20240306_Report_10K-APR.pdf](https://www.nclc.org/wp-content/uploads/2024/03/20240306_Report_10K-APR.pdf).

Question 2: Should AZDIFI permit Consumer Lender licensees to obtain a Sales Finance license to make Secondary Motor Vehicle Finance Transaction loans under Title 44?

This bulletin raises the question of whether a licensed Consumer Lender can legally make loans larger than \$10,000 if the licensed consumer lender obtains a Sales Finance license from the Department and the greater-than-\$10,000 loan is secured by the borrower’s vehicle. Licensed Consumer Lenders may currently be making loans in excess of \$10,000 under terms similar to the Consumer Lender law. A company that obtains a Sales Finance license from DIFI is permitted to make and size “Secondary Motor Vehicle Finance Transaction” loans (or car title loans) pursuant to the Motor Vehicle Sales Disclosure Act, A.R.S. §44-281 et sec., and the statutes do not straightforwardly prohibit licensed consumer lenders from offering what are in substance consumer loans, including loans greater than \$10,000, to consumers by obtaining a sales finance license and labeling it a car title loan. The answer to this question should be a resounding “no.”

Rules for car title loans are vastly inferior to Consumer Lender rules. The rate caps and loan term requirements are vastly different for Consumer Lender loans and car title loans. The car title loans are not adequately regulated to protect vulnerable consumers. Unlike consumer lenders, title lenders can make single-payment loans that can be renewed indefinitely. There is no limit on the size and duration of a car title loan contract. Similarly,



title lenders are permitted to offer oppressive balloon payment loans while Consumer Lenders are prohibited from doing so and must make installment loans. Title lenders can charge from 120% to 204% APR while Consumer loans are capped at 36% for amounts up to \$3,000 and 24% for amounts between \$3,000 and \$10,000. CEI's "Title Lenders and Consumer Lenders Should Play by the same Rules in AZ at [2022 AZ Factsheet Car Title Lenders Consumer Lenders.pdf](#) contains a comprehensive comparison of protections for vulnerable consumers of car title loans vs. consumer loans.

Asset-based car title loans exemplify predatory lending. Predatory lenders are willing to offer loans to people with little ability to pay back the loan by securing the loan with an asset the lender can easily obtain upon default. They are in effect hoping the borrower will default. Such is the situation with asset-based car title loans. Lenders first coerce unaffordable payments by threatening repossession of the borrower's most valuable asset, and eventually the extremely high rates and single payment terms result in one in five title loan borrowers to lose their cars to repossession. More than two-thirds of car title lenders' business comes from consumers who have taken out seven or more consecutive loans. See the Consumer Financial Protection Bureau's findings on car title lending at: [2019 az factsheet car title loan harm and risks cfpb rule.pdf](#) For more information on title lending, see CEI's 2025 update on title lending in Arizona which includes links to earlier reports and updates. See: [CEI CTL Update Brief 2025.pdf](#)

Recommendation: AZDIFI should prohibit Consumer Lenders from making loans of \$10,000 or less under the Secondary Motor Vehicle Finance Transaction law.

The Arizona Department of Insurance and Financial Institutions should exercise its authority to prohibit all Consumer Lenders, including those with a Title 6 license, from making both Consumer Lender loans and car title loans with a Title 44 Sales Finance license. The Consumer Lender law at A.R.S. § 6-606.F states that "A licensee may not conduct the business of making consumer lender loans pursuant to this chapter from within any licensed office or branch office in which any other business not licensed pursuant to this title is solicited or engaged in...without giving prior notice to the deputy director." The deputy director has the authority to prohibit such additional business if the lender is concealing an evasion of the Consumer Lender law or if the additional business is contrary to the public interest.



Permitting a Consumer Lender to make traditional secured small loans at up to 36% along with triple-digit-rate car title loans under 44-281 et seq. could easily mislead consumers who expect to be protected by Arizona's usury law when borrowing from a licensed Consumer Lender. Instead, lured in by promises of loans capped at 24 to 36%, the loan company could sell title loans at 204 to 120% annual rates. Permitting both types of loans to be made at the same outlet risks bait and switch tactics. Several provisions of the Motor Vehicle Times Sale Disclosure Act if used by a Consumer Lender would violate the Consumer Lender law.

Title lending is obviously not in the public interest. To the contrary, Congress has prohibited car title lending to active duty servicemembers and their families when enacting the [Military Lending Act](#) (10 U.S.C. § 987). The trend in states other than Arizona has been to repeal title loan laws, enact stricter protections, and to close loopholes exploited by car title lenders. Our review of state title loan legal status finds that only 17 states authorize high-cost title lending while another four states have loopholes exploited by lenders.

In sum, consumer lenders are already less regulated in Arizona than in most states, and Arizona's lax oversight over car title loans (which are in substance are consumer loans) undermines that already weak protection for Arizona's most vulnerable loan consumers. Consumer lenders, currently restricted by statute to rate limits for consumer loans and limited to a maximum loan amount of \$10,000, should not be able to evade those caps and maximums simply by applying for and being granted a license enabling them to offer car title loans. While Arizona should move in the direction that Congress sees fit for active duty military servicemembers and their families and eliminate the predatory car title loan practice, at a minimum consumer lenders should be required to restrict their practice to consumer loans.

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Sincerely,

A handwritten signature in black ink that reads "Kelly S. Griffith". The signature is cursive and appears to be "Kelly S. Griffith".

Kelly Griffith, Executive Director
Center for Economic Integrity, Tucson AZ
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