

Why oppose usury as usual here in Arizona?

The state should be looking to make credit *more affordable* for Arizonans not more profitable for consumer lending corporations. Increasing the overall loan amount in the Consumer Lending statute to reflect current economic conditions should consider increases in the costs of daily living for borrowers. The 36% APR rate cap should apply only to smaller loans of \$1,000 or less, and fees for these smaller loans should be incidental or negligible.

The current consumer lender statute caps rates at 36% for loan amounts up to \$3,000 and 24% on that portion of a loan over \$3,000 up to \$10,000. In addition, A.R.S. 6-635.4 permits an additional 5% “administrative fee” capped at \$150, which results in even higher APRs for loans. As a result, **Arizona consumer lender rates are set higher than 38 states for a \$2,000 two-year loan and higher than 29 states for a \$10,000 five-year loan¹**. The median rate cap for the \$2,000 loan is 34% while Arizona law permits 41% APR. The median cap for a \$10,000 loan is 27% while Arizona permits 30% APR.

SB 1689 proposes to:

- **Increase the total loan amount subject to rate caps from \$10,000 to \$50,000**
- **Double the maximum administrative fee from \$150 to \$300.** This fee will result in higher effective APRs for most blended rate loans. Doubling the maximum fee from \$150 to \$300 means that the fee goes from maxing out on a \$3,000 loan to maxing out on a \$6,000 loan.
- **Extend the 36% rate from \$3,000 to loans up to \$10,000.**

Compare these loans

Under current consumer law, for a \$6,000 loan over five years, the consumer pays back a total of \$12,267 at **32.8% APR** including a finance charge of \$6,267.

Under SB 1689, the same loan will have a total repayment of \$13,658 at **38.8% APR** – **a full six percentage points higher** – including a finance charge of \$7,658.

- **Apply a 24% rate to that portion of a loan between \$10,000 and \$20,000**
- **Apply an 18% rate to that portion of a loan between \$20,000 and \$50,000**
- **Remove DIFI/regulatory oversight of small non-bank home equity revolving loans.** Arizona borrowers who put their home at risk for a relatively high-cost line of credit should reasonably expect regulator supervision of the lender.

¹ Fact Sheet: State Annual Percentage Rate (APR) Caps for \$500, \$2,000, and \$10,000 Installment Loans, NCLC, December 18, 2025, at: <https://www.nclc.org/resources/fact-sheet-state-annual-percentage-rate-apr-caps-for-500-2000-and-10000-installment-loans/>

SB 1689 enlarges permitted loans but does NOT stop Consumer Lender licensees from using the Sales Finance license tactic to evade the limits in the Consumer Lender law. SB 1689 does not prohibit lenders from making single payment loans under the Sales Finance law despite the Consumer Lender law requirement for installment loans, or doing a balloon payment installment loan, or offering a 25-year loan term.

If the maximum loan amount is increased, consumer lender licensees must be required to operate within the scope of the Consumer Lender law and be explicitly prohibited from operating under dual licensing schemes.

Recommendations for making high-cost small loans more affordable to Arizonans:

- Apply the same sensible, straight forward **Military Lending Act (MLA)** approach to calculating the actual cost of the loan for Arizona borrowers. The MLA caps the annual interest rate to service members and their dependents at 36% APR all in, including fees and other costs.
- Apply the 36% APR cap to loans that are \$1,000 or *less* and **apply lower rates to loans above \$1,000.**
- **Remove or reduce the administrative fee** – especially for smaller loan amounts
- **Prohibit Consumer Lenders from hold dual lending licenses**