Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 10 minutes.
Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 5 minutes.
Auto Title Lending in Illinois

November 3, 2015

The webinar will begin in 1 minute.
Auto Title Lending in Illinois

November 3, 2015
Webinar Housekeeping

• The webinar will be recorded.

• All participants will receive the slides and the recording after the webinar.

• We have muted your phones.

• Please use the chat box to submit a question or let us know if you are having any technical difficulties.
Jody Blaylock
Policy Associate
Financial Empowerment Policy Project at Heartland Alliance & IABG
Illinois Asset Building Group

A project of Heartland Alliance
Auto Title Loans
Today’s Agenda

• What is Title Lending?
• Current Illinois Law
• Review the Findings: Title Lending in IL
• Real Borrower Stories
• Policy & Program Recommendations
• Q & A
What is a Title Loan?
Current Illinois Law

Title loans are **exempt** from existing Illinois consumer protection laws
Current Illinois Law

There are **limited regulations**:

- Prohibits balloon payments
- Limits the loan principal amount to $4,000
- Ensures that no monthly payment exceeds 50% of a borrower’s gross monthly income
- Allows for refinancing once the borrower has paid off at least 20% of the principle
Spencer Cowan
Senior Vice President for Research
Woodstock Institute
Data Overview

• Data on auto title lending in Illinois
  – from two IDFPR reports
  – denied access to loan data used to compile the reports

• Data from a sample of court cases in Cook County
  – Daley Center and Markham
Borrower Income Level

The graph illustrates the distribution of borrowers across different income levels for various types of loans:

- **Title Loan**: 74% with less than $30,000 income, 6% with $50-$75,000 income, 0% with $30-$50,000 income, and 0% with more than $75,000 income.
- **Small Consumer Loan**: 69% with less than $30,000 income, 9% with $50-$75,000 income, 0% with $30-$50,000 income, and 11% with more than $75,000 income.
- **Installment Payday Loan**: 56% with less than $30,000 income, 12% with $50-$75,000 income, 20% with $30-$50,000 income, and 12% with more than $75,000 income.
- **Payday Loan**: 55% with less than $30,000 income, 12% with $50-$75,000 income, 28% with $30-$50,000 income, and 5% with more than $75,000 income.
Customers and Loans

![Graph showing the number of loans and unique customers from 2010 to 2013. The number of loans increased from 66,792 in 2010 to 100,698 in 2013. The number of unique customers increased from 81,895 in 2010 to 87,229 in 2013.](image)
Repeat Customers

• Total Unique borrowers, 4/1/09 to 12/31/13
  – 256,849

• Total number of annual unique borrowers
  – 364,830

• Repeat borrowers in different years
  – 107,981
  – nearly 30% of unique customers borrowed in more than one calendar year
Average Interest Rate

- From 4/1/09 to 9/30/12: 285%
- From 10/1/12 to 12/31/13: 234%
Average Loan Term

- From 4/1/09 to 9/30/12: 12.9 months
- From 10/1/12 to 12/31/13: 18.6 months
Average Monthly Payment

- From 4/1/09 to 9/30/12: $226.91
- From 10/1/12 to 12/31/13: $220.49
Loan Amount and Finance Charges

![Bar chart showing loan amounts and finance charges from two time periods]

- From 4/1/09 to 9/30/12:
  - Average Loan Amount: $893
  - Average Fees: $2,030

- From 10/1/12 to 12/31/13:
  - Average Loan Amount: $1,089
  - Average Fees: $3,003
Paying More for Loans

- From 4/1/09 to 9/30/12: $2.27
- From 10/1/12 to 12/31/13: $2.76

Average Fees per Dollar of Loan
Court Records

- Examined court records from Cook County
  - districts 1 (Daley Center) and 6 (Markham)

- 58 cases
  - loans originated between 4/09 and 7/13

- Not a random sample
  - only cases that went to court in Cook County
Loan Amounts and Finance Charges

Year | Average Loan Amount | Average Finance Charges
-----|---------------------|------------------------
2009 | $1,740              | $2,450                 
2010 | $1,476              | $2,395                 
2011 | $2,556              | $4,083                 
2012 | $2,450              | $3,922                 
2013 | $3,323              | $4,705                 

Additional Observations

• Significant Internet lending
  – 27 borrowers from Illinois
  – 6 borrowers from Indiana or Wisconsin
  – 25 borrowers from other states

• All “other state” cases in Markham
  – Turbo Title Loan

• Lenders not listing collateral on form as required by law
Paul’s Story
Paul’s Story

Paul cares for his two daughters in rural Illinois.

A family tragedy causes him to fall into debt and places a strain on his credit.

The added financial stress results in Paul to having a heart attack and facing additional medical bills.
Paul’s Story

With poor credit and no access to mainstream financial products, Paul takes out an auto title loan.

$2,000 Loan

Paul borrows against his car for $2000.

He makes monthly payments of $450 while accumulating $15 in interest each day.
Paul’s Story

$4,200

When Paul finally pays off the loan early, he has given the auto title lender about $4,200.

If Paul had not paid off the loan early, he would have spent over $10,000 on a $2,000 loan.
Mark’s Story

Loan #1: $1,095
  APR: 304.17%
  Fees: $5,595.96
Loan Term: 24 months
Total Owed: $6,609.96

Loan #2: $1,500
  APR: 304.17%
  Fees: $7,665.60
Loan Term: 24 months
Total Owed: $9,165.60
Mark’s Story

Total Borrowed:
$2,595

Total Owed:
$15,856.56
Policy Recommendations: Federal

**Administrative:** Regulations requiring stronger underwriting

**Legislative:** 36% rate cap on all consumer loans
Policy Recommendations:

State Legislation

1. 36% rate cap on all consumer loans

2. Access to IDFPR data
Policy Recommendations: Financial Institutions

Increased access to alternative, low-cost, small dollar loans.
CFPB as a Resource

Consumer Complaint Database

Submit complaints to:
www.consumerfinance.gov/complaint
OR
855-411-2372
Q & A

Please submit your questions via the chat box
Contact Us

Jody Blaylock  
IABG & Heartland Alliance  
jblaylock@heartlandalliance.org  
312.870.4932  
Twitter: @ILAssetBuilding  
www.illinoisassetbuilding.org

Spencer Cowan  
Woodstock Institute  
scowan@woodstockinst.org  
312.368.0310  
Twitter: @woodstockinst  
www.woodstockinst.org