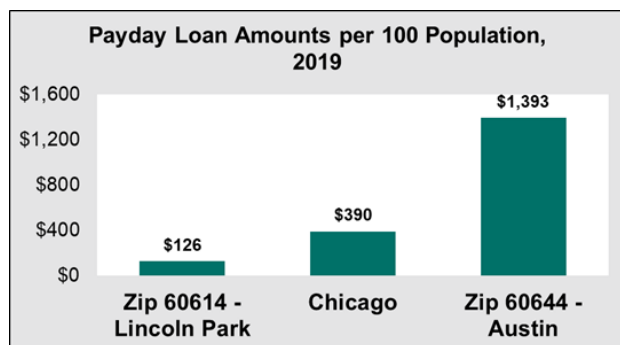


## Anti-Predatory Lending Act (in HB 2685 – SFA3)

The Anti-Predatory Lending Act would prohibit lenders from charging more than 36% APR (annual percentage rate) on consumer loans. In Illinois, the average APR on a payday loan is 297%, and the average APR on a title loan is 179%. Federal law already protects active-duty military with a 36% APR cap. This bill would extend the same protection to Illinois veterans and all other consumers. **Seventeen states plus the District of Columbia have caps of 36% or lower.**

**Too many Illinoisans suffer from high-cost, predatory loans.** Illinois families pay over \$500,000,000 per year in payday and title loan fees – the fourth highest in the nation. Nearly half of Illinois payday loan borrowers earn less than \$30,000 per year.



**High-cost, small dollar loans exacerbate the racial wealth gap and drive inequity.** In Chicago, zip codes in communities of color represent 47% of the City's population but have 72% of the City's payday loans. You are 13 times more likely to have a payday loan if you live in the Austin neighborhood as compared to Lincoln Park.<sup>1</sup>

**Predatory lending is a bipartisan issue.** Large majorities of Republicans, Democrats, and Independents support a 36% cap. South Dakota approved a 36% cap in 2016 with over 75% voting in favor of the cap. Nebraska approved a 36% cap on payday loans in 2020 with over 80% voting in favor of the cap. The experience in other states shows that, after establishing a 36% cap, consumers turn to other strategies (e.g., cutting expenses) and other products. For example, since South Dakota's cap, the volume of consumer loans by credit unions increased significantly.<sup>2</sup>

### The Real Cost of Small Consumer Loans

These are real auto title loans taken out by Mark, a lifelong Chicagoan who retired after over years working for the Postal Service.<sup>3</sup>

#### First Title Loan

Loan Amount: \$1,095  
APR: 304.17%  
Fees: \$5,595.96  
Loan term: 24 months  
Total Owed: \$6,690.96

#### Second Title Loan

Loan Amount: \$1,500  
APR: 304.17%  
Fees: \$7,665.60  
Loan Term: 24 months  
Total Owed: \$9,165.60

#### Total Borrowed:

**\$2,595**

#### Total Owed:

**\$15,856.5**

<sup>1</sup> Data from IL Payday Loan Database (2019).

<sup>2</sup> Center for Responsible Lending, The Sky Doesn't Fall: Life After Payday Lending in South Dakota (January 2020).

[https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-the-sky-doesnt-fall-jan2020\\_1.pdf](https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-the-sky-doesnt-fall-jan2020_1.pdf)

<sup>3</sup> No Right Turn: Illinois' Auto Title Loan Industry and its Impact on Consumers. Woodstock Institute and the Illinois Asset Building Group. Oct. 2015.

## Support for the Anti-Predatory Lending Act:

### Industry

Capital Good Fund

Lending Club

Marketplace Lending Association

Seaway, a division of Self-Help FCU

Second Federal, a division of Self-Help FCU

### Government

Congressman Jesús G. "Chuy" Garcia

Office of the Illinois State Treasurer

### Advocates

AARP Illinois

Asian Americans Advancing Justice

Catholic Conference of Illinois

Chicago Coalition for the Homeless

Chicago Jobs Council

Chicago Urban League

Chinese American Service League

Citizen Action Illinois

COFI

Col. Paul Kantwill, USA (Ret); Prof., Loyola Univ. Chicago School of Law

Community Renewal Society

Credit Builders Alliance

Economic Security for Illinois

Elevate Energy

Faith Coalition for the Common Good

Gamaliel of Illinois

Heartland Alliance

Housing Action Illinois

Illinois People's Action

Illinois Public Interest Research Group (IL PIRG)

Illinois Chapter of the National Association of

Consumer Advocates

Junior Achievement of Chicago

Lawyers Committee for Better Housing

LIFT, Inc.

Metropolitan Family Services

New America Chicago

North Lawndale Employment Network

Northwest Side Housing Center

POWER-PAC IL

Revolution Workshop

SEIU Healthcare IL IN

Shriver Center on Poverty Law

The Low Income Utility Advocacy Project

The Resurrection Project

United Congregations of Metro East

Veterans for Common Sense

Voices for Illinois Children

Woodstock Institute

Working Credit NFP

YWCA Metropolitan Chicago