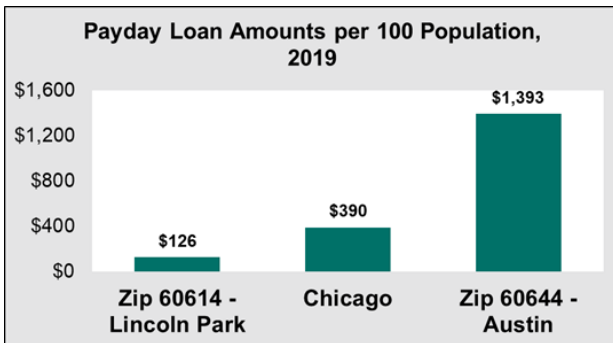


## Predatory Loan Prevention Act (in SB 1792 – HFA 3, 4)

The Predatory Loan Prevention 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 Predatory Loan Prevention Act:

### Industry

Capital Good Fund  
Lending Club  
Great Lakes Credit Union  
Marketplace Lending Association  
Seaway, a division of Self-Help FCU  
Second Federal, a division of Self-Help FCU

### Government

City of Chicago Mayor Lori E. Lightfoot  
Congressman Jesús G. “Chuy” Garcia  
Cook County Board President Toni Preckwinkle  
Office of the Illinois Attorney General  
Office of the Illinois State Treasurer  
Secretary of State Jesse White

### Advocates

AARP Illinois  
Americans for Financial Reform  
Asian Americans Advancing Justice  
Brighton Park Neighborhood Council  
Catholic Conference of Illinois  
Center on Tax and Budget Accountability  
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. School of Law  
Consumer Federation of America  
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 Asset Building Group  
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