

INSTALLMENT LOANS

WILL STATES PROTECT BORROWERS FROM A NEW WAVE OF PREDATORY LENDING?

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CHARTS

CHART 1

**Full APRs Allowed
 for a Six-Month \$500 Loan**

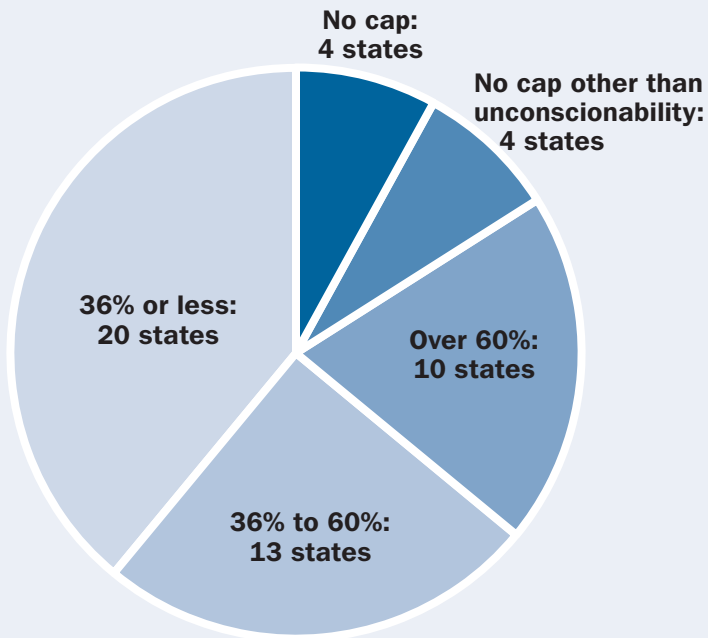
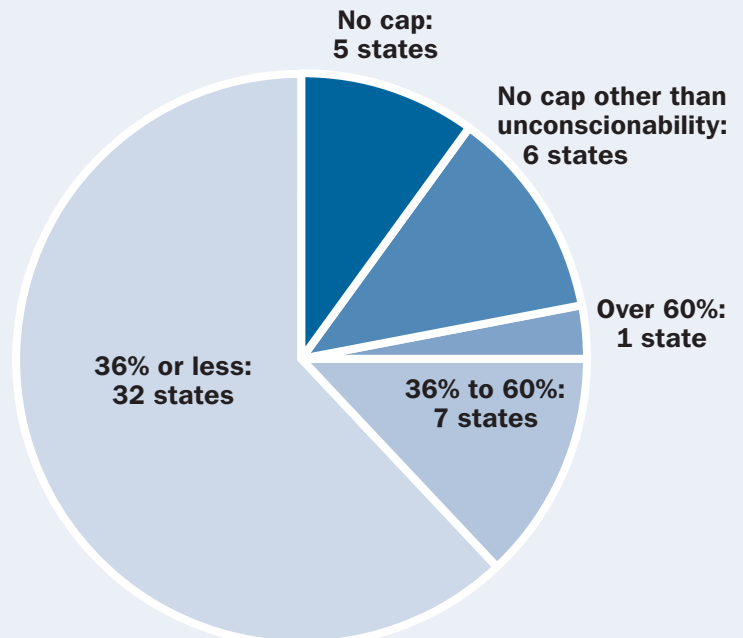


CHART 2

**Full APRs Allowed
 for a Two-Year \$2000 Loan**



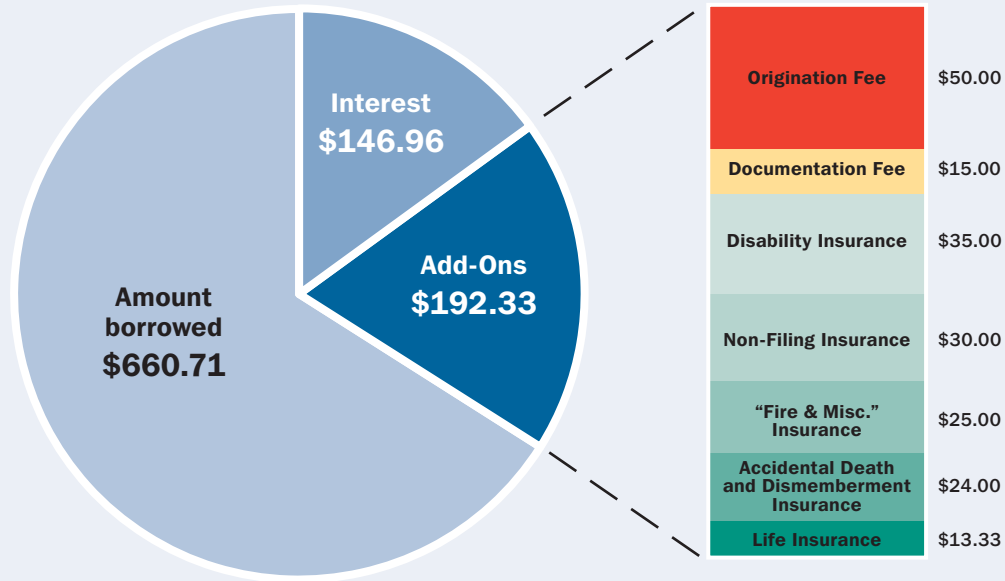
- No stated cap on finance charges
- No numerical cap, but prohibits unconscionability (loan terms that are so one-sided as to shock the conscience)

- Allowable full APR over 60%
- Allowable full APR between 36% and 60%
- Allowable full APR of 36% or less

CHART 3

How Add-Ons Swell the Cost of a Ten-Month Loan

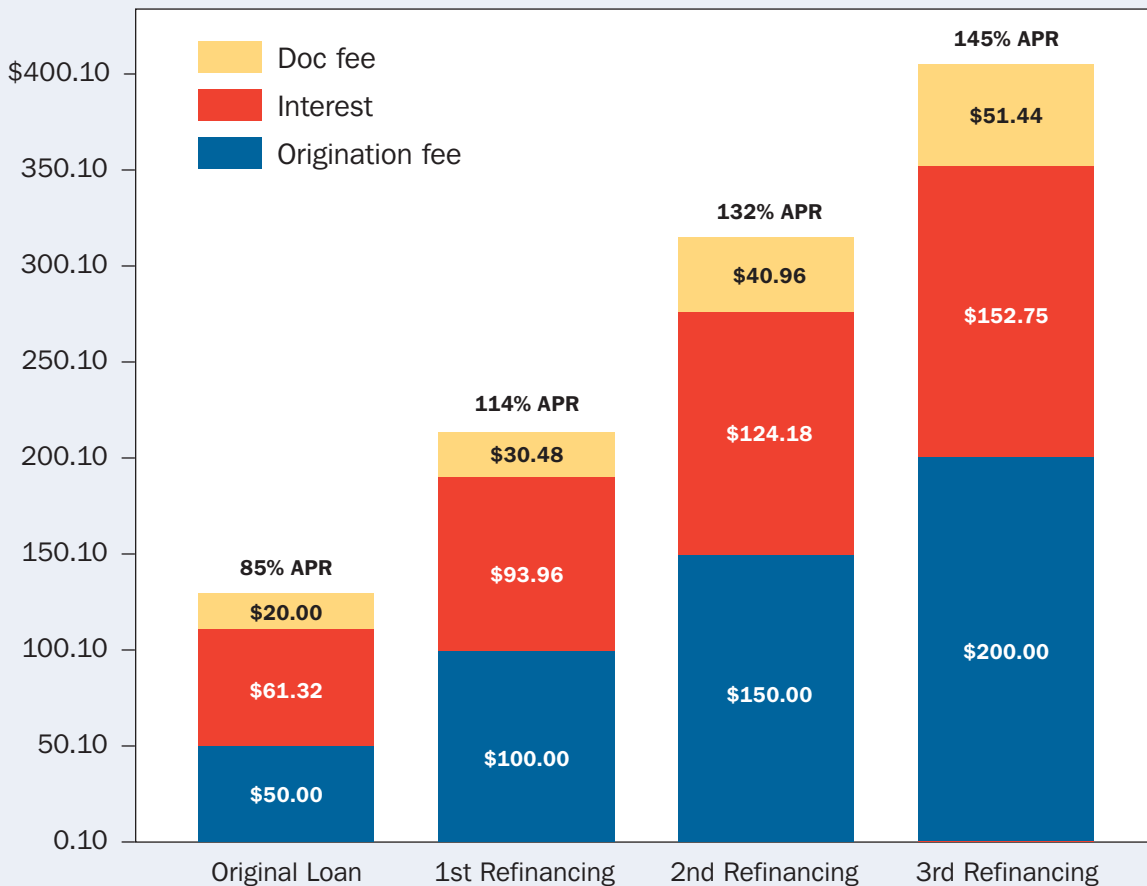
\$1000 total repayment of obligation



This example is taken from an actual loan made in Louisiana.

CHART 4

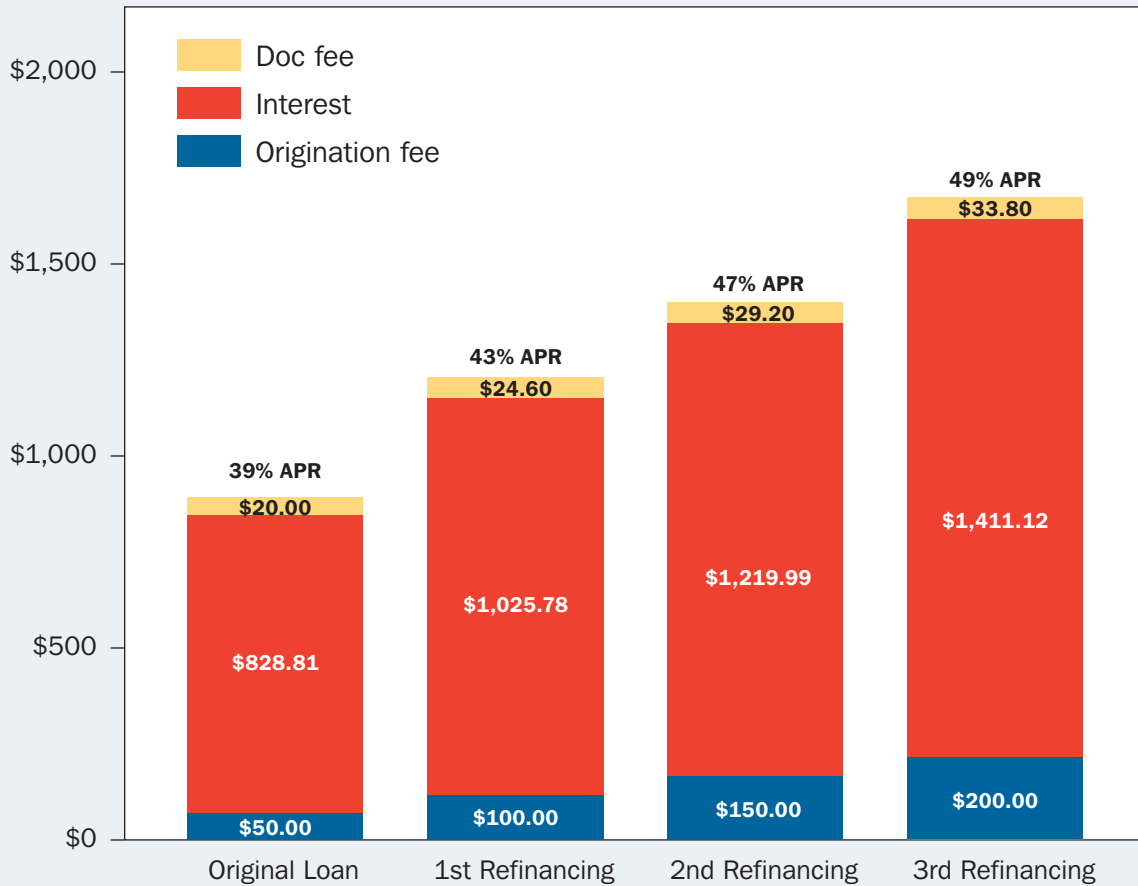
Effect of Refinancing a \$500 Six-Month Louisiana Loan Three Times



The example assumes that 1) the borrower refinanced the loan three times, each time after making the second payment; and 2) the borrower did not obtain any new money upon refinancing, but simply refinanced the remaining balance each time so that it would be repayable over six months. The result of the three refinancings is an increase in the repayment period from 6 months to 12 months.

CHART 5

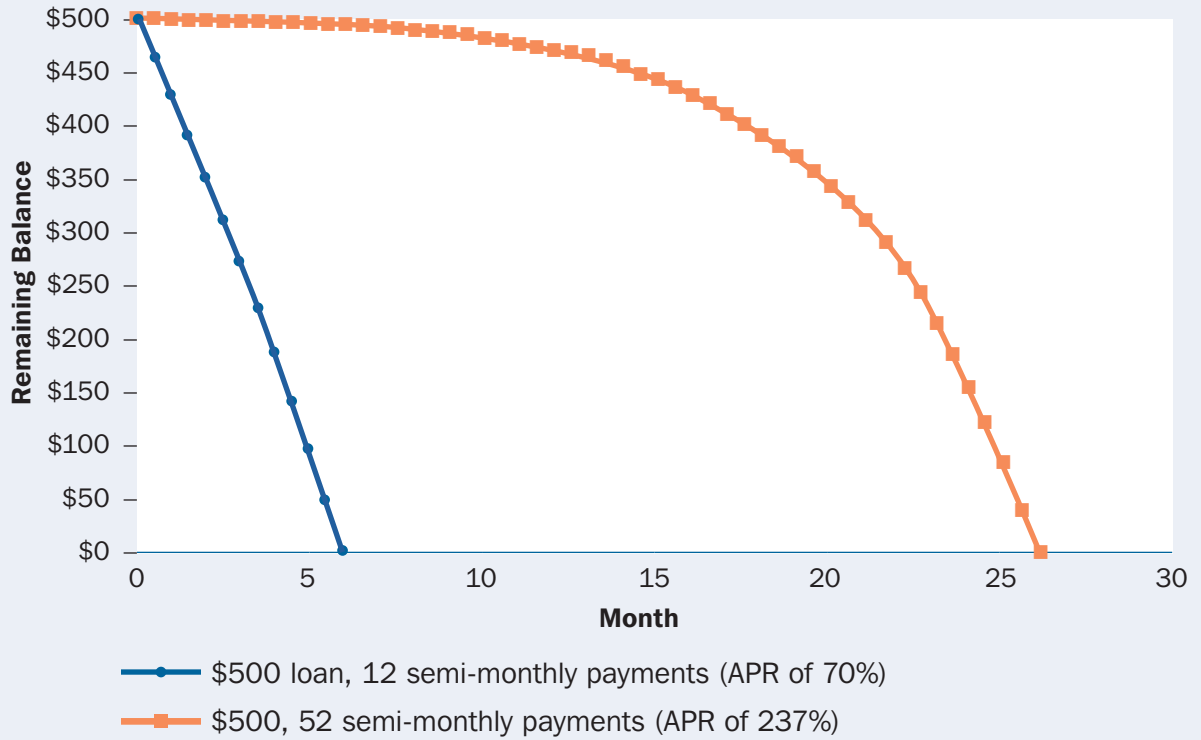
Effect of Refinancing a \$2000 Two-Year Louisiana Loan Three Times



The example assumes that 1) the borrower refinanced the loan three times, each time after making the third payment; and 2) the borrower did not obtain any new money upon refinancing, but simply refinanced the remaining balance each time so that it would be repayable over six months. The result of the three refinancings is an increase in the repayment period from 24 months to 33 months.

CHART 6

Remaining Principal Balance by Month
\$500 Loan with \$50 Semi-Monthly Payments
Six-Month v. Two-Year Term

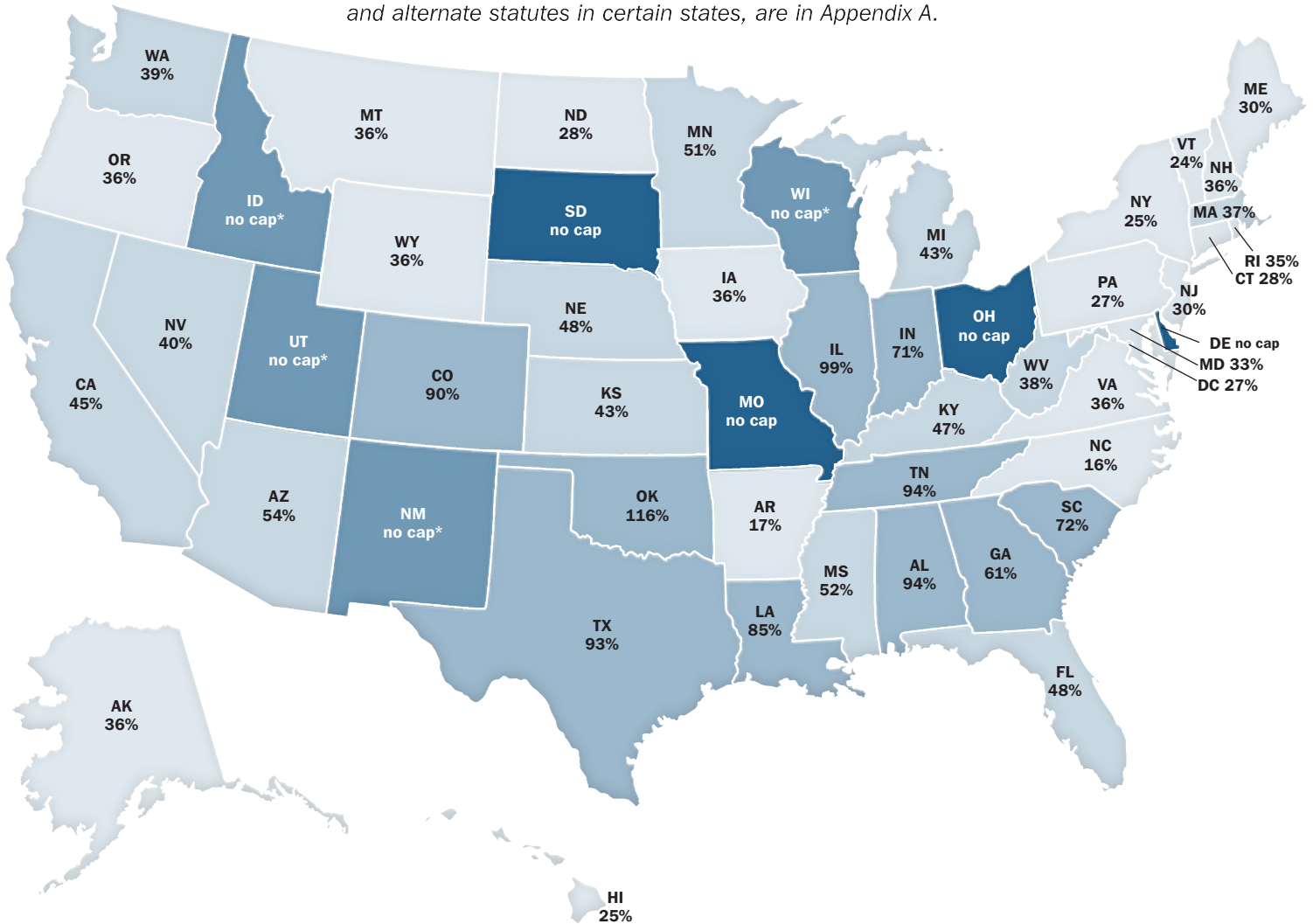


MAPS

MAP 1

Full APRs Allowed for Six-Month \$500 Installment Loan

Details regarding all APRs shown on this map, and notes regarding caveats and alternate statutes in certain states, are in Appendix A.

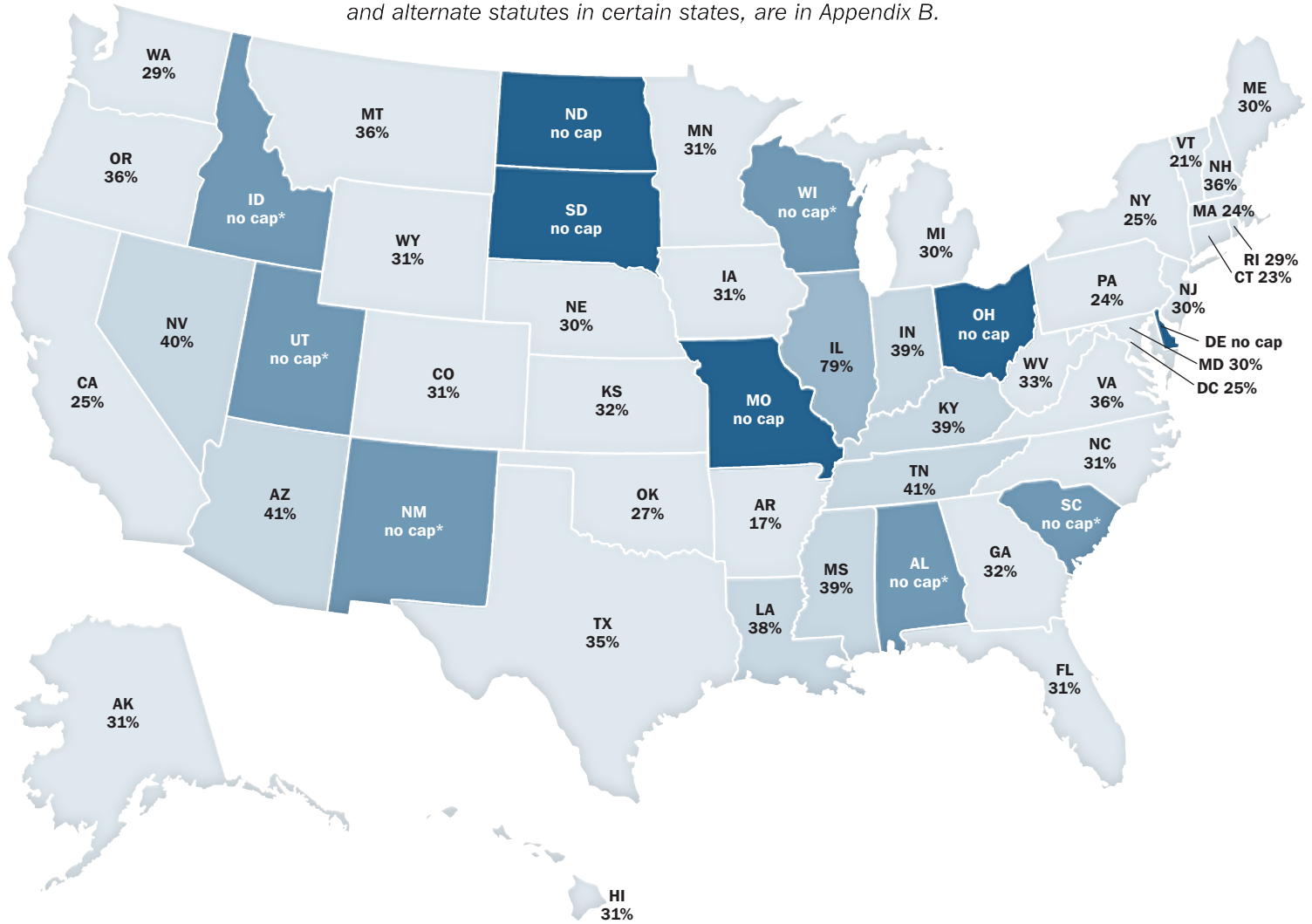


- No stated cap on finance charges
- No cap other than unconscionability (no cap*)
- Allowable full APR over 60%
- Allowable full APR between 36% and 60%
- Allowable full APR of 36% or less

MAP 2

Full APRs Allowed for Two-Year \$2000 Installment Loan

Details regarding all APRs shown on this map, and notes regarding caveats and alternate statutes in certain states, are in Appendix B.

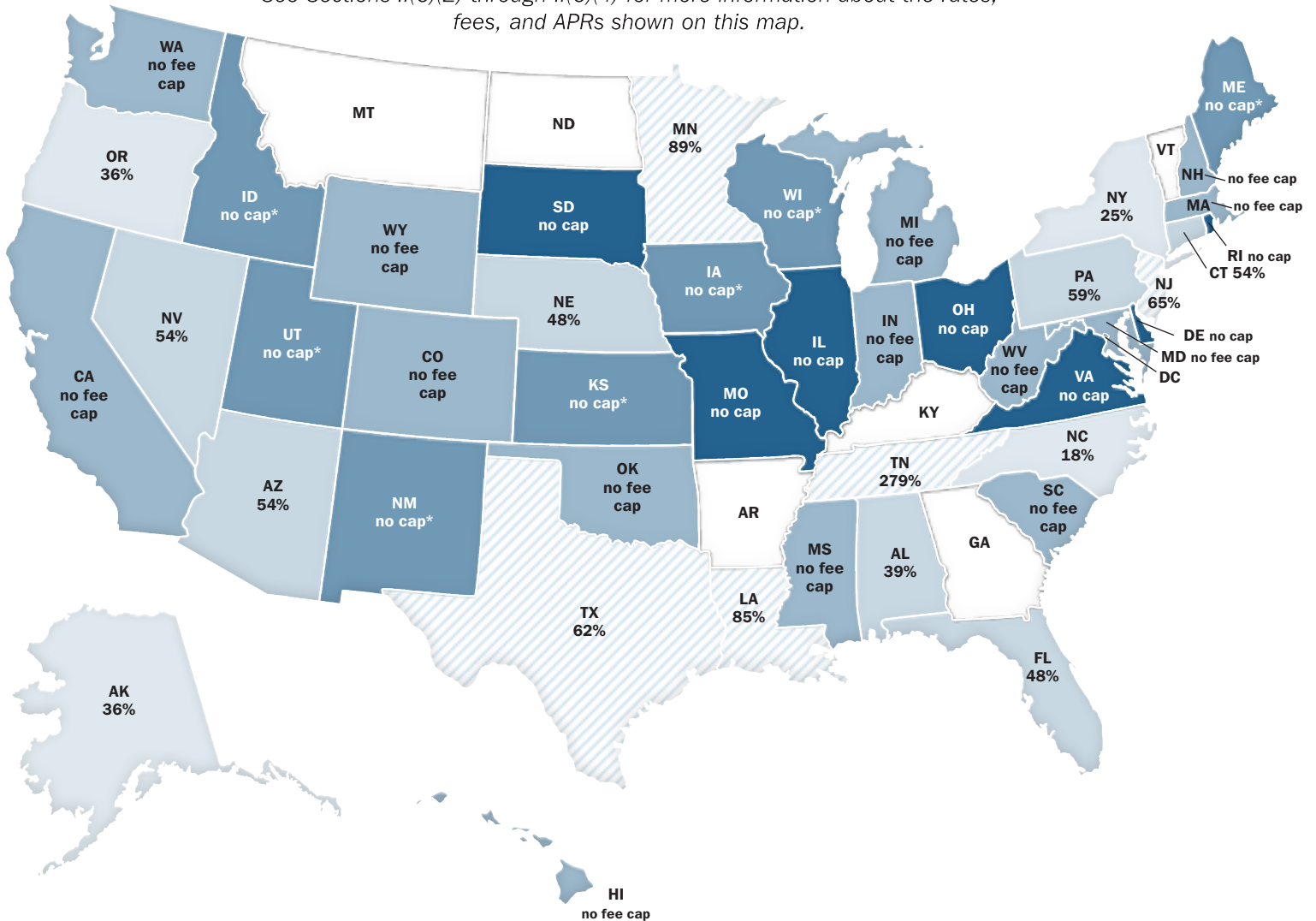


- No stated cap on finance charges
- No cap other than unconscionability (no cap*)
- Allowable full APR over 60%
- Allowable full APR between 36% and 60%
- Allowable full APR of 36% or less

MAP 3

Full APRs Allowed for a \$500 Cash Advance Repayable Over Six Months

See Sections II(C)(2) through II(C)(4) for more information about the rates, fees, and APRs shown on this map.

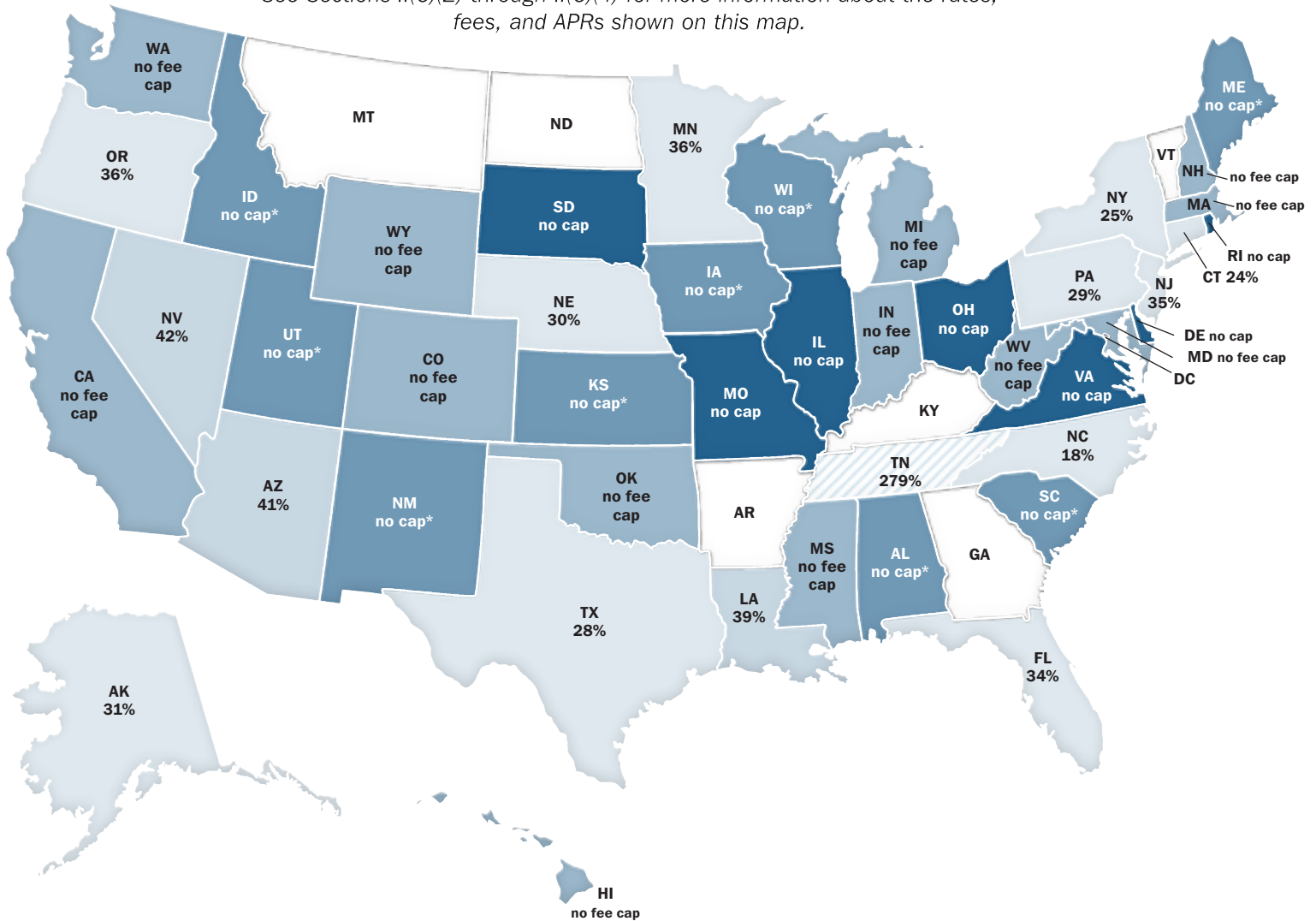


- No stated cap on finance charges
- No numerical cap, but prohibits against unconscionability (no cap*)
- Cap on interest but no numerical cap on all fees
- Allowable full APR over 60%
- Allowable full APR between 36% and 60%
- Allowable full APR of 36% or less
- No specific provisions for non-bank lenders to extend open-credit

MAP 4

Full APRs Allowed for a \$2000 Cash Advance Repayable Over Two Years

See Sections II(C)(2) through II(C)(4) for more information about the rates, fees, and APRs shown on this map.

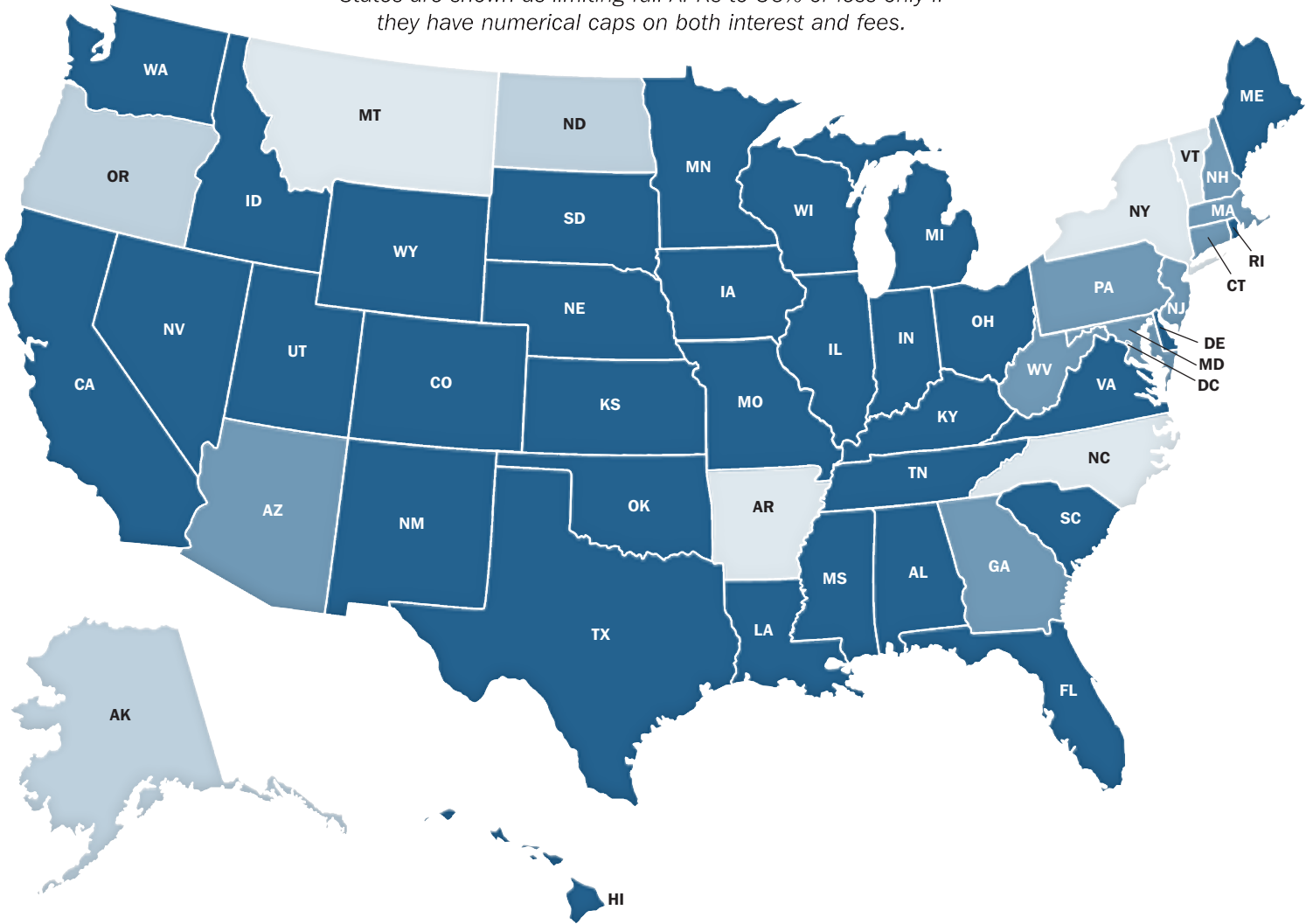


- No stated cap on finance charges
- No numerical cap, but prohibition against unconscionability (no cap*)
- Cap on interest but no numerical cap on all fees
- Allowable full APR over 60%
- Allowable full APR between 36% and 60%
- Allowable full APR of 36% or less
- No specific provisions for non-bank lenders to extend open-credit

MAP 5

Full APR Allowed for \$500 6-Month Installment or Open-End Loans in Payday and Non-Payday States

States are shown as limiting full APRs to 36% or less only if they have numerical caps on both interest and fees.



- Payday and "hybrid" states that allow full APRs over 36%
- States that prohibit payday lending but allow full APRs over 36%
- Payday and "hybrid" states that limit full APRs to 36% or less
- States that prohibit payday lending and limit full APRs to 36% or less

TABLES

TABLE 1

States that Do Not Cap Interest Rates for Installment Loans

STATE	LOANS FOR WHICH THERE IS NO CAP	DOES STATUTE PROHIBIT UNCONSCIONABILITY?
Alabama	Loans of \$2000 or more	Yes
Delaware	All loans	No
Idaho	All loans	Yes
Missouri	All loans	No
New Mexico	All loans	Yes (state deceptive practices statute)
North Dakota	Loans of more than \$1000	No
Ohio*	All loans	No
South Carolina	Loans of more than \$600	Yes
South Dakota	All loans	No
Utah	All loans	Yes
Wisconsin	All loans	Yes

See Section I(A)(6) for an explanation of unconscionability.

*Ohio's rate caps are ineffective because they can be circumvented through credit services organizations. See Section I(K)(3).

TABLE 2

Examples of Full APRs Produced by Stated Interest Rate Cap Plus Loan Fees for Six-Month \$500 Loan

STATE	INTEREST RATE CAP	LOAN FEES ALLOWED	FULL APR
Arizona	36%	5% of principal	54%
Indiana	36%	\$50	71%
Louisiana	36%	\$50 original fee and \$20 documentation fee	85%
Oklahoma		10% of principal plus monthly charge of \$22.05	116%

TABLE 3

Rule of 78s Penalty for 24-month \$2000 Loan at 36%

Showing the difference between a Rule of 78s rebate and an actuarial rebate for a \$2000 24-month loan at 36% interest

IF LOAN IS REFINANCED AFTER...	RULE OF 78s PENALTY
4 months	\$20.95
8 months	\$27.98
12 months	\$24.73

TABLE 4

Payment Schedule for Selected Loan Amount

PAYMENT	PRINCIPLE BALANCE	FEE BALANCE	TOTAL DUE	AMOUNT TO PAYOFF
1	\$300.00	\$105.00	\$105.00	\$105.00
2	\$300.00	\$105.00	\$105.00	\$405.00
3	\$300.00	\$105.00	\$105.00	\$405.00
4	\$300.00	\$105.00	\$105.00	\$405.00
5	\$300.00	\$105.00	\$105.00	\$405.00
6	\$300.00	\$105.00	\$130.00	\$405.00
7	\$275.00	\$96.25	\$121.25	\$371.25
8	\$250.00	\$87.50	\$112.50	\$337.50
9	\$225.00	\$78.75	\$103.75	\$303.75
10	\$200.00	\$70.00	\$95.00	\$270.00
11	\$175.00	\$61.25	\$86.25	\$236.25
12	\$150.00	\$52.50	\$77.50	\$202.50
13	\$125.00	\$43.75	\$68.75	\$168.75
14	\$100.00	\$35.00	\$60.00	\$135.00
15	\$75.00	\$26.25	\$51.25	\$101.25
16	\$50.00	\$17.50	\$67.50	\$67.50

From an installment lender's website, <https://www.castlepayday.com/loan-rates> (adjusting loan amount to \$300). "Principle" is misspelled in the original.

TABLE 5
**Comparison of Two-Year and Six-Month Loan at 400% Interest
 with \$166 Monthly Payment**

PAYMENT AMOUNT	INTEREST RATE	NUMBER OF PAYMENTS	AMOUNT BORROWED	TOTAL INTEREST PAID
\$166	400%	24	\$500	\$3527
\$166	400%	6	\$410	\$586

TABLE 6
Maximum Length Allowed for \$1000 Loan

LOAN TERM MAY NOT EXCEED...	STATES
18 months	Oklahoma
24 to 26 months	Alabama (Small Loan Act), Alaska, Colorado, Connecticut, Indiana, Maine, North Dakota, Rhode Island, South Carolina
36 to 38 months	Alabama (Consumer Credit Act), California, Georgia, Idaho, Iowa, Kansas, Maryland, Nebraska, New Jersey, Tennessee, Texas (Consumer Loans), Wisconsin, Wyoming
48 to 50 months	Texas (Subchapter K)
60 to 61 months	Kentucky
8 years	North Carolina

Only the states that set maximums are included in this table.

TABLE 7
Full APR for \$500 Loan under Law Allowing Finance Charge of \$15 per \$100

PAYABLE IN...	FULL APR
1 week	780%
2 weeks	390%
6 monthly installments	50%

TABLE 8

States that Do Not Place Numerical Cap on Interest Rates for Open-End Credit

STATE	DOES STATUTE PROHIBIT UNCONSCIONABILITY?
Alabama (for loans of \$2000 or more)	Yes
Delaware	No
Idaho	Yes
Illinois	No
Iowa	Yes
Kansas	Yes
Maine	Yes
Missouri	No
New Mexico	Yes (state deceptive practices statute)
Ohio*	No
Rhode Island	No
South Carolina (for loans of more than \$600)	Yes
South Dakota	No
Utah	Yes
Virginia	No
Wisconsin	Yes

See Section I(A)(6) for an explanation of unconscionability.

*Ohio's rate caps are ineffective because they can be circumvented through credit services organizations. See Section I(K)(3).

TABLE 9

States that Cap Interest Rates But Not All Fees for Open-End Credit

STATE	INTEREST RATE ALLOWED	FEES PERMITTED BY STATUTE FOR WHICH NO NUMERICAL CAP IS STATED	DOES STATUTE PROHIBIT UNREASONABLE OR UNCONSCIONABLE FEES?
California	split rate ranging from 30% on first \$225 to 12% on amount over \$1650	Participation fee	Yes
Colorado	21%	Annual fee	Yes
Hawaii	24%	Participation fees imposed on an annual, periodic, or other basis	No
Indiana	36%	Annual fee	Yes
Maryland	24%	Annual fee and transaction fee	No
Massachusetts	18%	Annual fee	Yes (deceptive practices statute)
Michigan	18%	Annual fee	No
Regulatory Loan Act; Credit Card Arrangements*			
Mississippi	21%	Any fees other than interest**	No
New Hampshire	36%	Application and participation fee	Regulator has authority to investigate unreasonable or unfair fee***
Oklahoma	27% on first \$2910	Annual or membership fees, transaction fees, cash advance fees	Yes
South Carolina (for loans of \$600 or less)	18%	Annual fee	Yes
Washington	25%	Annual fee	No
West Virginia	31% plus loan processing fee of 2% of amount financed	Annual fee	Yes
Wyoming	36% on first \$1000, 21% on remainder	Annual fee for credit card	Yes

See Section I(A)(6) for an explanation of unconscionability.

*A second law, Mich. Comp. Laws §§ 493.01 to 493.24, allows an interest rate of 25% plus an annual fee. The law does not place a numerical cap on the annual fee, but requires that it be reasonable.

**Mississippi's lending law, Miss. Code § 75-17-19(6), is ambiguous about what charges and fees can be imposed. It appears that a non-bank lender cannot impose an annual fee, because annual fees are specifically addressed by § 75-19-17(2). Fees that would undermine the limit in § 75-17-19(1) on the periodic rate might also be at least implicitly prohibited.

***This provision is still in effect, but has been repealed effective January 2, 2016.

TABLE 10

States that Set Numerical Caps on Rates and Fees for Open-End Credit

STATE	INTEREST RATE CAP	CAP ON LOAN FEES	FULL APR FOR \$500 6-MONTH CASH ADVANCE	FULL APR FOR \$2000 2-YEAR CASH ADVANCE
Alabama (cap applies only to loans of less than \$2000)	21% on first \$750, 18% on remainder	Surcharge of 6% of amount financed	39%	no cap
Alaska	36% on first \$850, 24% on remainder	No fees allowed	36%	31%
Arizona	36% on first \$3000	5% of principal, capped at \$150	54%	41%
Connecticut	19.8%	\$50 annual fee	54%	24%
Florida	30% on first \$3000	\$25 investigation fee; \$25 annual fee on each anniversary date	48%	34%
Louisiana (revolving loan account)	18%	\$50 origination fee plus \$20 document fee	85%	39%
Minnesota	33% on first \$1125, 19% on remainder	\$50 annual fee, \$30 cash advance fee	89%	36%
Nebraska	24% on first \$1000, 21% on remainder	7% of first \$2000 and 5% of remainder, or \$500, whichever is less	48%	30%
Nevada	40%	\$20 annual fee	54%	42%
New Jersey	30%	\$50 annual fee	65%	35%
New York	25%	Must fall within 25% cap	25%	25%
North Carolina	16%	None	18%	18%
Oregon*	36% (or a discount window rate plus 30 points)	None	36%	36%
Pennsylvania	24%	\$50 annual fee	59%	29%
Tennessee	279%	None	279%	279%
Texas	21%	\$50 annual fee; plus cash advance fee of \$2 or 2% of advance, whichever is greater	62%	28%

The fee-inclusive or "full" APRs in this table take into account all fees that are required as a condition of the extension of credit, including origination fees, periodic fees, and cash advance fees, but not post-transaction charges such as late fees and returned check fees.

*Oregon also allows lenders to charge "other reasonable and bona fide fees, expenses or damages, subject to oversight and regulation by the Department of Consumer and Business Services." Or. Rev. Stat. § 725.340(1)(b).

TABLE 11

**States that Allow Payday Lending, Showing Maximum Full APR
Allowed for \$500 Six-Month Loan or Cash Advance**

STATE	FULL APR ALLOWED
Alabama	94%
Alaska	36%
Hawaii	18% plus annual fee without stated cap for open-end
California	45% or, for open-end, capped interest rate plus participation fee, which must not be unconscionable
Idaho	No cap except unconscionability on rates or fees
Illinois	No cap on interest rate for open-end*
Indiana	71% or, for open-end, 36% plus “reasonable” annual fee
Iowa	No cap other than unconscionability on interest rate for open-end
Kansas	No cap other than unconscionability on interest rate or fees for open-end
Kentucky	47%
Louisiana	85%
Michigan	43% or, for open-end, 18% plus an annual fee without stated cap under one statute, and 25% plus “reasonable” annual fee under another
Mississippi	52% or, for open-end, 21% plus other charges and fees agreed upon**
Missouri	No cap on interest
Nebraska	48%
Nevada	54% for open-end
New Mexico	No cap on interest other than unconscionability
North Dakota	28%
Ohio	No cap (because of credit services organization loophole)
Oklahoma	116% for closed-end; 27% for open end plus annual fee, which must not be unconscionable
South Carolina	72%, or for open-end, 18% plus annual annual fee, which must not be unconscionable
South Dakota	No cap on interest or fees
Tennessee	279% for open-end credit under “Flexible Credit Act”
Texas	93%
Utah	No cap on interest or fees other than unconscionability
Wisconsin	No cap on interest or fees other than unconscionability
Wyoming	36% plus annual fee, with no cap other than unconscionability, for lender credit card

Table shows full APR for installment loan or open-end credit, whichever is higher.

* Illinois also has a payday installment loan statute that allows a full APR of 435% on a 180-day \$500 loan. See Section I(K)(1).

** Mississippi’s lending law, Miss. Code § 75-17-19(6), is ambiguous about what charges and fees can be imposed. See Section II(C)(3).

TABLE 12

States that Take “Hybrid” Approach to Payday Lending, Showing Maximum Full APR Allowed for \$500 Six-Month Loan or Cash Advance

STATE	FULL APR ALLOWED
Colorado	90%*
Delaware	No cap on interest or fees
Florida	48%
Maine	No cap other than unconscionability on interest or fees for open-end
Minnesota	89% for open-end
Oregon	36%
Rhode Island	No cap on interest or fees for open-end
Virginia	No cap on interest or fees for certain open-end credit plans
Washington	25% plus annual fee with no stated cap for open-end

Table shows full APR for installment loan or open-end credit, whichever is higher.

**Colorado also has a payday installment loan law that allows a full APR of 180% for a 6-month loan of \$500.*

TABLE 13

States that Do Not Allow Payday Lending, Showing Maximum Full APR Allowed for \$500 Six-Month Loan or Cash Advance

STATE	FULL APR ALLOWED
Arizona	54%
Arkansas	17%
Connecticut	54% for open-end
District of Columbia	27%
Georgia	61%
Maryland	24% plus annual fee with no stated cap for open-end
Massachusetts	18% plus annual fee with no stated cap other than unconscionability for open-end
Montana	36%
New Hampshire	36% for open-end, plus fee; regulator has authority to investigate fees that are unreasonable, unfair, or deceptive
New Jersey	65% for open-end
New York	25%
North Carolina	18%
Pennsylvania	59% for open-end
Vermont	24%
West Virginia	38% or, for open-end, capped interest rate plus fee, which must not be unconscionable

Table shows full APR for installment loan or open-end credit, whichever is higher.