November 7, 2016

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20052

Re: Request for Information on Payday Loans, Vehicle Title Loans, Installment Loans, and Open-End Lines of Credit (Docket No. CFPB-2016- 0026 or RIN 3170-AA40)

Dear Ms. Jackson:

The American Financial Services Association ("AFSA")[1] welcomes the opportunity to comment on the Consumer Financial Protection Bureau's ("CFPB" or "Bureau") request for information on payday loans, vehicle title loans, installment loans, and open-end lines of credit ("RFI"). The purpose of the RFI is to seek feedback on practices and products that are related to but may not be addressed in the CFPB's Notice of Proposed Rulemaking on Payday, Vehicle Title, and Certain High-Cost Installment Loans ("Proposed Rule").

I. Introduction

AFSA supports the CFPB's goal of ensuring that all consumers have access to markets for consumer financial products and services and that those markets are fair, transparent, and competitive. We understand the CFPB's concern that there may be high-cost loans that fall outside the scope of the Proposed Rule ("non-covered products") where the risks to consumers from making unaffordable payments may be similar to the types of harms detailed in the Proposed Rule. In the RFI, the CFPB expresses concern that such potentially problematic lender practices and consumer protection concerns with these non-covered products could be unfair, deceptive, or abusive. However, as we explain in this letter, these concerns are not present in the traditional installment lending industry.

The loan products offered by many AFSA members – traditional installment loans ("TILs") – are fair and transparent and are offered in a competitive, highly state-regulated marketplace. They are closed-end, fixed-rate, fixed-payment, fully-underwritten loans. The lender obtains a credit application, credit report, reviews the borrower's debts, and checks the borrower's income and reasonable expenses. Each TIL is made with the highest confidence that the borrower will be able to repay the loan. Indeed, traditional installment lenders underwriting processes are so thorough, they decline around half (some more, some less) of the applications they receive. Low charge-off rates are proof that the industry's underwriting practices are sound. Barring factors outside their control – such as a sudden increase in gas prices, economic downturn, or a natural disaster – AFSA members generally have low charge-off rates, mainly in the single-digits.

[1] Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

The CFPB raises a number of concerns in the RFI regarding potential consumer harm stemming from: (1) loans made without an ability to repay analysis; (2) garnishment, judgment liens, or other forms of enhanced collection; (3) loan churning, prepayment penalties, and slowly amortizing credit in covered and non-covered high-cost credit; (4) default interest rates, late payment penalties, teaser rate loans, or other back-end pricing practices; and (5) ancillary products (hereinafter referred to as “voluntary protection products”).

Traditional installment lenders do not engage in many of the aspects of these practices that cause the CFPB to be concerned. Traditional installment lenders do not make loans without an ability to repay analysis. They do not engage in loan churning, offer loans with prepayment penalties, or offer slowly amortizing credit. Nor do traditional installment lenders offer teaser rate loans or other back-end pricing practices. To the extent that traditional installment lenders obtain garnishments, charge late fees, or offer voluntary protection products, they do so in accordance with state and federal law that highly regulates these costs and practices.

Traditional installment lenders are governed by a myriad of state laws. Each state, typically through its legislatures, determines what it considers to be in the best interest of its citizens. For example, in Alabama, traditional installment lenders are governed by the Small Loan Act, the Consumer Credit Act, and the Interest-Usury Statute. In Arkansas, they are governed by the Arkansas Constitution, the Arkansas Business and Commercial Law Provisions, the Insurance Sales Consumer Protection Act, the Credit Life and Disability Provisions, and the Uniform Commercial Code. In Georgia, traditional installment lenders follow the Usury Statute and the Industrial Loan Act. In Illinois, they follow the Consumer Installment Loan Act, Consumer Installment Loan Act Regulations, and the Interest Act. The list goes on for each state.

These state laws, many of which have been in place (albeit as amended) for over a hundred years, are specifically intended to regulate traditional installment lenders and require those lenders to be licensed and supervised by the state. Moreover, they set rate caps, limit fees, and, though not specific to the installment lending industry, set procedures for wage garnishment and collection of judgments. In addition, other state statutes regulate credit insurance, setting permissible coverages, rates, maximum amounts insurable, and refunding methods. Typically, the laws are applied in a rigorous fashion by the state agency tasked with enforcing them. Attached in Appendix I is a state-by-state chart on small-loan primary and alternate maximum rate structures. To be clear, these limits and restrictions may not apply to all lenders; they may only apply to traditional installment lenders. More often than not, they do not apply to payday lenders or high-cost, on-line lenders, which are often regulated under other statutes. In the sections below, we will explain the state statutes, as well the restrictions and consumer protections in those statues.

Although there may be lenders in the financial services marketplace who do not look at a consumer’s ability to repay and who may hide fees, add undisclosed penalties, or seek repayment any way they can, those lenders will likely be eliminated by the restrictions in the Proposed Rule when it is finalized. Moreover, the CFPB and the states’ Attorneys General have the authority to enforce these laws and sue lenders. Additional restrictions that could limit TILs are unnecessary. It appears that the CFPB has predetermined consumer harm without acknowledging the important existing regulatory structures.

II. Potential Consumer Protection Concerns with High-Cost Installment Loans and Open-End Lines of Credit Not Covered Within the Proposed Rule

In this section, the CFPB expresses concern about high-cost, non-covered loans that are made without regard to the borrower's ability to repay. There may be lenders making high-cost, non-covered loans without regard to the borrower's ability to repay, but those are not traditional installment lenders. Traditional installment lenders do not offer loans without assessing the consumer's credit stability, willingness, and ability to repay. As mentioned above, traditional installment lenders obtain a credit application and pull a credit report (or credit reports) each time they make a loan. Additionally, installment lenders ask applicants about their debts and compare their responses to what appears in the credit report. Traditional installment lenders also ask consumers about their income and verify as much information as possible, as well as ask consumers about certain living expenses, such as rent.

Why do traditional installment lenders do so? Because they are lending their money to borrowers at relatively low rates of return – rates of return that will not even be realized until nearly the end of the loan term. These lenders do not make multiples of the principal lent after only a few payments. Rather, they only earn when a loan performs fully or at least near-fully. In short – and very unlike payday and title lenders – defaulting loans substantially reduce lender profits. This is explained more fully in AFSA's response to the Proposed Rule submitted a few weeks ago.

Thus, the traditional installment lending model has been a very successful lending model for a hundred years, from both the standpoint of the lender and the borrower. No substantial evidence argues to the contrary. Although each traditional installment lender gathers information differently and weighs the information gathered in its own way,[2] they all underwrite and only make loans that they reasonably believe will be repaid as agreed. While they recognize that a subset of customers will default (by virtue of the fact that traditional installment lenders are willing to lend to less-creditworthy consumers, and that rates are accordingly higher to offset the higher losses), no traditional installment lender can possibly survive by making loans that are not repaid.

Therefore, while it is true that traditional installment lenders do not use all of the ability to repay provisions as specifically prescribed in the Proposed Rule, they do underwrite in their own ways based upon their own knowledge, experience, and results. While traditional installment lenders assess the borrower's ability to repay, they do not verify each and every piece of information they are given by the borrower. Frankly, such a herculean task would be almost impossible, would be problematic for the borrower, delay the time it takes to make the loan, harm the consumer, and increase the cost of the loan. The very prescriptive, overly complicated, one-size-fits-all approach outlined in the Proposed Rule is therefore neither workable nor desirable for TILs.

That such specific and extensive requirements for underwriting are not appropriate in the TIL space is highlighted by several important facts and some examples. First, traditional installment lending is a branch-based, brick and mortar model, where branch employees live in the community where they work, and generally know what the rents are in their community. Therefore, verification of rent is not necessary. Second, it is extremely difficult to verify rent. Consumers may not be able to find a copy of a lease, they may not have a written lease, or they may live with a family member, for example. Third, it is often most difficult to verify rent for those consumers living in apartment complexes because it is hard to reach a person who is both willing and able to talk to a lender about a tenant. Fourth, many customers rely on cash income, which may be difficult to document, when applying for a

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[2] For example, each company may use a different debt-to-income ratio when making loan decisions. The different models work well for different lenders in different communities.

loan. Traditional installment lenders try to verify cash income in different ways – looking at bank statements where applicable, calling a reference if it is available, looking at past payment history, knowing the customer for many years, etc. Different lenders will treat cash income in different ways. Some may rely on only part of the stated income for the debt-to-income calculation. Others may rely on local knowledge of the consumer or what sort of history the borrower has with the lender. The branch manager may know that the applicant owns a lawn care business or babysits for a neighbor. Just because every dollar of income may not be verifiable, it does not follow that the customer does not have the ability to repay the loan. Flexibility to meet the needs of these borrowers and the varying methods of lenders is key.

III. Potential Consumer Harm from Garnishment Orders, Judgment Liens, or Other Forms of Enhanced Collection

It appears that the CFPB assumes that, with the passage of the Proposed Rule, certain legal practices, methods, and procedures to enforce judgments or to use the court system for redress will become more prevalent. However, if the goal of the Proposed Rule was to make small-dollar loans safer, then this assumption is unfounded for a couple of reasons. First, if the marketplace is made safer through the Proposed Rule, then it logically follows that there should be fewer instances of default and thus less need to seek redress through the court system. Second, the legal system provides due process and numerous opportunities for a debtor to challenge any efforts by a lender to recover the debts owed to it. Below is an explanation of that legal system in place for garnishment orders and judgment liens, as well as an explanation as to how that system is not unfair, deceptive, or abusive.

Before discussing garnishment orders and judgment liens, it is important to explain the lender-customer relationship. There is an incentive to maintain a customer in a "paying" relationship as the traditional installment lender assumes the risk of making the loan in the first place. Traditional installment lenders stand to lose the entire balance owed if they cannot collect the debt and salvage the relationship with their customers, while customers risk tarnishing their credit. So, a bad loan is not good for either the lender or the customer.

In as much as a traditional installment lender's primary business is making new loans, not collecting on defaulted loans or accounts, maintaining customer relationships is critical to traditional installment lenders. They do not want or need charged-off or uncollectible debt precisely because that type of debt will not give traditional installment lenders access to new customers in the future. Because of this imperative, it is not in traditional installment lenders' interest to mistreat their customers. Additionally, traditional installment lenders often have a long-term and continuous relationship with their customers. They understand that how they treat delinquent customers can impact their overall business if they get a reputation for treating customers badly. Moreover, traditional installment lenders use debt collection as a customer retention strategy and are incentivized by avoiding costs to acquire new customers. As a report from the Tower Group states, "The cost to replace one bank card customer ranges from $160 to over $200, and issuers that work with their customers through this difficult period will retain customer for life."[3]

Collections are still an important part of a traditional installment lender's business, but the nature and underlying basis of the contact by a lender is fundamentally different from a payday or title lenders or a debt collector. When a customer goes into default under a contract, the traditional installment lender makes contact to identify and

[3] Moroney, Dennis, "*Revitalize the Credit Card Pre-Charge-off Collection Process and Improve the Bottom Line*." TowerGroup. April 2009. Quoted in "*Leveraging Collections as a Customer Retention Tool,*" by Julie Austin and Vytas Kisielius of Collections & Recovery, TSYS, Jan. 2010. Available at: http://www.ftc.gov/sites/default/files/documents/public_comments/ftc-workshop-debt-collection-2.0-protecting-consumers-technology-changes-project-no.p114802-00007%C2%A0/00007-58348.pdf

resolve the issue with the customer in an effort to avoid having to repossess the collateral or charge off the account. Customers may not want to be contacted because they may not be able to cure the default. So, while a traditional installment lender may try to make frequent contact, it is often doing so to ensure the customer is informed and that it has made every reasonable effort to resolve the customer's issues before the account is past the point of any chance of reconciliation.

A. An explanation of garnishment orders and judgment liens.

The RFI refers to garnishment orders and judgment liens as "enhanced collection." We take exception to the use of the term, "enhanced collection." First, the use of the word "collection" is inaccurate. Garnishment orders and judgment liens (or "post-judicial remedies") are not a form of collection, but means of enforcing a legally-obtained judgment. Second, post-judicial remedies are not "enhanced" practices. The CFPB makes the assumption that methods of executing a judgment are inherently problematic or somehow abusive. Court systems were established – even before the founding of this country – in recognition that an orderly system of redress is important. The execution of a judgment for a debt is no different than that for any other judgment. The states have enacted extensive laws governing post-judicial remedies. These laws vary state-by-state and have been in existence for hundreds of years. Post-judicial remedies are not an "enhanced collection practice," but a form of obtaining redress through the courts that provide due process. In fact, not only are there state laws regulating post-judicial remedies, but states and municipalities themselves use post-judicial remedies to enforce their rights and to collect their debts.

It should be noted that garnishment is almost universally a post-judicial remedy; and there are various state and federal law limitations on its use.[4] Professor Marsh notes, "Today all states constitutionally or statutorily restrict creditor recourse to certain property. A three-pronged purpose is commonly attributed to these exemption statutes: protection of the debtor, protection of the family of the debtor, and protection of society. By allowing the debtor to retain certain property free from appropriation by creditors, exemption statutes extend to a debtor an opportunity for self-support so that he will not become a burden upon the public."[5] Note that the Federal Trade Commission Credit Practices Rule[6] prohibits executory waiver of exemptions. This is another balancing of the equities between one's right to collect on a judgment and society's right to protect its citizens.

A debtor's property may also be subject to enforcement of a judgment through use of attachment and replevin or sequestration procedures. Again, these procedures are used in consumer finance, but universally only after the entry of a valid and binding judgment. Only if the creditor prevails in the lawsuit, does it have the right to obtain a writ of execution directing the sheriff to seize and sell sufficient non-exempt property of the debtor to satisfy the judgment. And, based upon both federal and state law protections, every state in the United States constitutionally provides homestead and personal property exemptions that are designed to protect the debtor's assets to some degree, and not allow him or her to be left destitute.

With this said, there is a system for pre-judgment extraordinary judicial actions. But, in every jurisdiction in the United States, such extraordinary actions are closely proscribed and universally not used by traditional installment lenders. Such extraordinary pre-judgment actions require posting of substantial bonds and require a time and labor

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[4] See, for example, Title III of the Consumer Credit Protection Act; and Section 5-19-15, Code of Alabama (1975, as amended).
[5] Marsh, Gene A. *Consumer Protection Law 3rd Ed.*. West Academic Publishing. 2006. pp. 408-09.
[6] 16 CFR Part 444

intensive process to prove to a court of competent jurisdiction that the plaintiff has a very high likelihood of success on the merits.[7]

The fact of the matter is that judgments are not dished out by judges randomly. Rather, due process is required by state and federal Constitutions. The CFPB's implication that post-judicial remedies are "enhanced collection" efforts is wrong. If the CFPB sees any further need to add to the substantial protections of debtors under the Federal Trade Commission ("FTC") Rules, the state constitutions and statutes, and the U.S. Constitution and federal statutes, then any such effort must be clearly limited to pre-judgment garnishment, attachment, and replevin. Those pre-judgment remedies are not employed by traditional installment lenders.

Finally, by implementing further restriction, the CFPB risks violating the separation of powers as most garnishments are supervised through the judicial system and the funds are paid through the Clerks of Court. If there are problems with the garnishment system, those problems should be addressed where they exist by the judicial branch of government and the local system responsible to all residents using the system, not just consumer lenders.

B. Post-judicial remedies are not unfair, deceptive or abusive.

Judicial processes for collection of debts have been developed specifically to resolve disputes in a manner that affords all parties an opportunity to be heard and to present their side of a controversy. Hence, by definition, proper use of judicial remedies gives all parties to a dispute "due process of law." The RFI, however, seems to challenge wholesale the entire judicial process by questioning whether consumers are treated unfairly, deceptively, or abusively by a lender's use of the very legal due processes upon which the lenders are entitled to rely. Yet, the process to obtain a judgment has been well-litigated, is well-regulated, and can take years. Moreover, it is used by or available to: individuals, corporate entities, states, counties, municipalities, and federal agencies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides the CFPB with rulemaking and enforcement authority to prevent unfair, deceptive, or abusive acts or practices in connection with consumer financial practices.[8] It does not grant the CFPB authority to modify state judicial processes or post-judgment remedies. Aside from the fact that the CFPB does not have statutory or constitutional authority to interfere with the states' judicial processes, we must recognize that use of post-judgment remedies cannot be characterized as unfair, deceptive or abusive.

To begin, we must define unfairness to consumers. As defined in the Dodd-Frank Act, an act or practice is unfair when: (1) it causes or is likely to cause substantial injury to consumers; (2) the injury is not reasonably avoidable by consumers; and (3) the injury is not outweighed by countervailing benefits to consumers or to competition.[9] Post-judicial remedies are not unfair for three reasons. First, it is difficult or impossible to equate proper use of judicial processes as acts or practices that could be subject to an unfairness analysis. Second, post-judicial remedies do not cause and are not likely to cause substantial injury to consumers. "Substantial injury usually involves monetary harm. Monetary harm includes, for example, costs or fees paid by consumers as a result of an

[7] See, for example, Rule 64 Alabama (and most states') Rules of Court. See also, Fuentes v. Shevin, 407 U.S. 67, No. 70-5039,argued November 9, 1971. Decided June 12, 1972. This seminal debtor-creditor case held pre-judgment garnishment to be a denial of due process of law.
[8] Dodd-Frank Act, Title X, Subtitle C, Sec. 1036, PL 111-203 (July 21, 2010).
[9] CFPB Exam Manual v. 2, updated Oct. 2012.

unfair practice."[10] Although it may be possible to view a post-judicial remedy as a "monetary harm," it is not the result of an unfair practice. It is the result of a court determining – through the use of due processes of law – that the consumer did not repay a loan or some portion thereof. Third, and perhaps most important, post-judicial remedies are reasonably avoidable by consumers. To avoid a post-judicial remedy, a borrower can pay back the loan or enter into a work-out plan with the lender. In short, the only way to find post-judgment remedies unfair is to conclude that use of the court system to collect a debt is both an act or practice and that use of the court system is unfair to consumers.

Next, post-judicial remedies are not deceptive. As defined by the Dodd-Frank Act, a representation, omission, act or practice is deceptive when: (1) the representation, omission, act, or practice misleads or is likely to mislead the consumer; (2) the consumer's interpretation of the representation, omission, act, or practice is reasonable under the circumstances; and (3) the misleading representation, omission, act, or practice is material."[11] Post-judicial remedies are only available after the consumer has received, through due process of law, an opportunity to litigate the correctness of the judgment.[12] The post-judgment remedies are then quite straightforward. Wages are either garnished or they are not. Assets are either seized and sold or they are not. There are no misrepresentations to consumers. Thus, there are no consumer interpretations upon which to base a conclusion of deceptiveness. It is impossible to conclude that post-judgment remedies are deceptive. These acts or practices are therefore not appropriately analyzed under a deception analysis. Or if so analyzed, the only possible conclusion is that post-judgment remedies are not deceptive.

And finally, post-judicial remedies are not abusive. Again as defined by the Dodd-Frank Act, an abusive act or practice is one which: (1) materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service or (2) takes unreasonable advantage of: (a) lack of understanding on the part of the consumer of the material risks, costs, or conditions of the product or service; (b) the inability of the consumer to protect her interests in selecting or using a consumer financial product or service; or (c) the reasonable reliance by the consumer on a covered person to act in the interests of the consumer.[13] Regarding the first prong, post-judgment remedies cannot materially interfere with the ability of a consumer to understand a term or condition of a consumer financial product or service. Frankly, that prong of the definition does not fit with this discussion.

As to the second prong, we do not believe that post-judicial remedies take unreasonable advantage of the consumer's lack of understanding, the consumer's inability to protect his interests, or the consumer's reasonable reliance on a lender to act in the consumer's interests. Consumers know that there are consequences to not repaying a loan.

The general procedure for a wage garnishment or a judgment lien is as follows: the lender files an affidavit or complaint, the defendant is served (giving the defendant notice of the case and an opportunity to defend), the defendant has a period of time in which to respond, a court date is set, and there is a hearing or a trial on the merits. If the lender wins, a judgment is entered. Once a judgment is obtained, it can be enrolled to create a lien against any real property the consumer has. The court can also thereafter issue a garnishment against wages or

[10] *Ibid.*
[11] *Ibid.*
[12] It should not be forgotten that even though the due processes of law correctly determine that a consumer may owe a debt, and that the lender can attempt to collect the debt through post-judgment remedies, the consumer can always avoid the post-judgment remedy through use of bankruptcy. By filing bankruptcy, the consumer who clearly owes a debt has the opportunity through bankruptcy processes developed over many years, to nonetheless not pay a debt.
[13] *Ibid.*

bank accounts. This is not a quick process designed to take advantage of the consumer, but a time-consuming process with well-outlined procedures and consumer protections. It is an expensive process for traditional installment lenders, not the revenue-generating tool the RFI implies, and it is the lender's last resort. Not only is it expensive, but traditional installment lenders realize that once they go through this process, they will lose the customer – a result traditional installment lenders seek to avoid whenever possible. As described above, traditional installment lenders have an incentive to maintain an on-going relationship with their customers.

For a specific example, consider Mississippi. Mississippi's code includes sections on the form for writ of garnishment, the nature and effects of garnishment, multiple garnishments, answer of the garnishee, judgment on the garnishee's answer, exemptions, etc. See appendix II for more specifics from both Mississippi and Tennessee.

There are both state and federal limitations to what amounts can be garnished and these exemptions are clearly listed on the back of the garnishment documents that are served on garnishees. For example, Title III of the Consumer Credit Protection Act limits the amount of an employee's earnings that may be garnished and protects an employee from being fired if pay is garnished for only one debt.[14] Specifically, "The amount of pay subject to garnishment is based on an employee's 'disposable earnings,' which is the amount left after legally required deductions are made. … The law sets the maximum amount that may be garnished in any workweek or pay period, regardless of the number of garnishment orders received by the employer."[15] Employers have to follow set processes and proscribed computations. Banks are also required to verify process so that at least two months of federally-protected income funds are preserved in any bank account subject to a garnishment.

Furthermore, there are state and federal exemptions as to what can be garnished. For example, the FTC specifies that the following federal benefits are exempt from garnishment: social security benefits, supplemental security income benefits, veterans' benefits, civil service and federal retirement and disability benefits, military annuities and survivors' benefits, student assistance, railroad retirement benefits, Federal Emergency Management Agency federal disaster assistance, etc.

In sum, there are a plethora of state and federal laws that lenders, employers, and depository institutions have to comply with before any funds are garnished. This is not a quick process designed to take advantage of the consumer without the consumer's knowledge. The consumer receives plenty of notification and there are procedures to protect the consumer.

The RFI includes a few examples of consumers who took out small loans of around \$100 - \$200, and judgments were entered against them for thousands of dollars.[16] The likely culprits are high interest rates and late fees charged by payday lenders. As far as can be determined, none of the examples relate to traditional installment lenders, and indeed could not as traditional installment lenders' rates could not result in such high interest with the possible exception of the judgment remaining unpaid and uncollected for many years *and* the lender charging the accumulated interest.[17] As mentioned previously, state law caps late fees charged by traditional installment

[14] U.S. Department of Labor, U.S. Wage and Hour Division. *Fact Sheet #30: The Federal Wage Garnishment Law, Consumer Credit Protection Act's Title 3 (CCPA).* Revised July 2009.

[15] *Ibid.*

[16] Interestingly, the original loan amount and the amount of the judgment look very similar to fees for parking tickets and judgments when those fees are not paid in a timely manner.

[17] Consider that virtually all traditional installment lenders charge off a debt, including a judgment debt, within a few months of non-payment and stop earning interest on the debt. Therefore, it is highly unlikely that the examples given by the CFPB relate to traditional installment lending or to small loans from banks, savings and loans, or credit unions.

lenders and so judgments like the ones cited would not be seen by TIL customers. It is also important to note that judgments are granted by a judge via the judicial system, not the lender. Even though they are not required to, many traditional installment lenders cut off or waive interest that has accrued on judgments when the debt on the account, court costs, and legal fees are recouped. Some will even refund customers. While some examples of large judgments that are disproportionate to the small loan amounts can be found, rules should not be written based on a few extreme examples from another industry.

IV. Potential Consumer Harm from Loan Churning, Prepayment Penalties, and Slowly Amortizing Credit in Covered and Non-Covered High-Cost Credit

In this section, the CFPB expresses concern and asks for comment on refinancing, prepayment penalties, and excessively slow amortization of high-cost installment loans or open-end lines of credit.

On refinancing, the CFPB is concerned that there are marketing or other business practices with respect to lender incentives or encouragement of loan refinancing that raise consumer protection concerns. Traditional installment lenders do not market refinancing or encourage loan refinancing in a way that raises consumer protection concerns. The fact that a consumer may return to a traditional installment lender periodically for his borrowing needs, does not indicate that such lender makes problematic loans. Rather, it is an indicator that the consumer trusts such lender to review and if appropriate, meet new or different credit needs.[18] The initial loan could be for auto repair, and then the customer later refinances so she can obtain additional funds for a seasonal need (such as back-to-school expenses). The customer might refinance again later for additional funds to purchase an appliance. Traditional installment lenders underwrite and approve refinancings like any other loan, including through an extensive underwriting process to determine the consumer's ability to repay and an updated note setting forth the new loan terms.

TILs, including refinancings, provide significant benefits to consumers; and consumers make voluntary, informed decisions to take out these loans to meet their credit needs. Some consumers may choose open lines of credit, such as credit cards, to meet their repeat credit needs. Others may choose to refinance a TIL. Possibly, customers choosing to refinance a TIL are cautious about the use of credit cards. A TIL may be paid off sooner, without a prepayment penalty. Refinancing is thus not a cycle of debt, but a responsible use of credit over a longer term. It would take 22 years and $5,887 in finance charges for a borrower to pay off a credit card balance of $5,000 with a 14% Annual Percentage Rate, if the borrower only made a minimum payment of 2% of the credit card balance each month.[19] In fact, this is why many consumers choose to take out TILs, as opposed to using credit cards.

As for prepayment penalties, TILs generally do not charge a prepayment penalty. When loans are paid off early or refinanced, all unearned finance charges and unearned premiums for voluntary protection products are refunded to the consumer.

[18] This scenario is common because in many cases, TIL customers do not use or have credit cards with open end terms or lines of credit secured by their homes. In effect, they use TILs in a manner somewhat similar to open ended credit, although (unlike credit cards and lines of credit) each and every refinancing is underwritten for affordability (repayment ability at each refinancing). Remember that many TILs establish a "credit limit" that consumers know of, so that they know when, through repayment of the loan, how much additional cash they can qualify for if they have not experienced unfortunate financial complications (like loss of job, in which case the lender would not refinance).

[19] Irby, LaToya. *How Long to Pay Off Balance with Minimum Payments.* The Balance. May 23, 2016. Available at: https://www.thebalance.com/how-long-to-pay-off-balance-with-minimum-payments-961120

Regarding slowly amortizing credit, this is simply not present in traditional installment lending. TILs are not structured in such a way to cause borrowers to suffer undue, long-term hardships. There is no "payment-option," adjustable rate TIL that would allow borrowers temporarily to make a negatively amortizing payment until a later recast date. TILs have fixed interest rates with substantially equal monthly payments. If a borrower encountered an unexpected hardship one month, often the lender may allow the borrower to skip a payment and add a payment on to the end of the loan as a convenience to the borrower, but the monthly payment remains the same.

In sum, TILs are longer-term installment loans of equal monthly payments – made only after assessing the consumer's ability to repay – that provide consumers with a clear pathway out of debt.

V. Potential Consumer Harm from Default Interest Rates, Late Payment Penalties, Teaser Rate Loans, or Other Back-End Pricing Practices

The CFPB expresses concern with teaser rates, late fees, default interest rates, and other so-called "back-end pricing practices." CFPB characterizes these rates and fees as "post-delinquency or default revenue," as if lenders profit from such loan features.

Traditional installment loans do not have teaser rates or default interest rates. They are fixed-rate loans amortized over the life of the loan. The rates charged are in accordance with state law. The CFPB cites Mountain Loan Centers' seven-month, 432 percent signature loans with a default interest rate of 600% when any installment loan is more than three days past due. Traditional installment lenders do not raise the interest rate when consumers become late. Such penalty rates are not allowed by the state laws governing TILs and the vast majority of states cap the rates we may charge. Moreover, raising rates would not help customers repay the loan. This would be counterproductive to traditional installment lenders' goal of making loans that can be repaid. Such default interest rates are also unnecessary for traditional installment lenders because they perform robust ability-to-repay analyses when originating their loans. If a customer later falls behind in their payments, traditional installment lenders do everything they can to work with them to repay. This is evidenced in our low charge-off rate. Traditional installment lenders do not rely on such inflated interest rates to generate revenue, and even if they did, that would be a poor business model considering their low charge-off rates.

Late fees amounts and timing are mandated by state law and are clearly and conspicuously disclosed per Regulation Z in the "Fed Box" segregated disclosure on the loan agreement itself. It is not clear what the CFPB means by "back-end pricing." Any fee charged is disclosed upfront and done in accordance with state law.

As an example, the following is a list of late charges and grace periods allowed in certain states:

- Alabama – the greater of 5% of schedule payment or $10, with a maximum of $100 (10 day grace period);
- Florida – not to exceed 5% of installment (10 day grace period);
- Georgia – flat dollar charge not to exceed $25 (10 day grace period);
- Illinois – 5% of the delinquent installment when the payment is greater than $200, $10 when the payment is less than or equal to $200 (10 day grace period);
- Kentucky – greater of 5% of delinquent installment of $15 (10 day grace period);
- Louisiana – 5% of unpaid installment or $10 (10 day grace period);
- Maryland – lesser of 5% of delinquent amount of installment or $10 when agreed upon in the contract (10 day grace period);
- Mississippi – greater of 4% of delinquent installment or $5 (15 day grace period);

- North Dakota – lesser of 10% of delinquent installment of $10 (10 day grace period);
- South Carolina – 5% of the unpaid installment amount, maximum $17.50 (10 day grace period); etc.[20]

The vast majority of states allow a late charge after a grace period of 10 or 15 days has elapsed since the scheduled date.[21] These fees are clearly disclosed in the loan agreement, so there is no mismatch between the borrower's expectations and their actual experiences with their loans over time. Consider also that late fees in these small amounts are designed to compensate the lender for its increased costs of collection associated with consumers who do not make payments on time. Thus, late fees are not profit centers; they are designed to offset some of the additional costs to a lender caused by the consumer's choice not to pay on time as scheduled. Without late fees, the additional cost is born by all customers, whether they perform on their loans or not.

The CFPB is concerned about the consumer protection issues related to credit cards and the late fees and default interest rates that were being charged by credit card companies prior to the enactment of the CARD Act in 2009. The CARD Act, among other new rules, now requires credit card companies to provide at least 21 days to pay their bill and limits penalty fees to a safe harbor of $27.00 - $36.00 (depending on number of offenses) or larger amount if the company can prove the reasonableness of the fee. The issues that led to the CARD Act and changes to Regulation Z are not present in the traditional installment loan market. The credit card companies, which are predominantly national banks, and many other depositories offering credit cards, are generally exempt from state statutes limiting late fees. Many states do not have statutes limiting late fees for credit cards. As you can see from the list above, such limits are imposed on traditional installment by the state. States have statutes limiting the amount of late fees, and when they may be charged, for closed-end consumer installment loans. Traditional installment lenders are regularly examined by their state departments of financial institutions on every aspect of their Regulation Z disclosures, including late fees.

The amount of time given to consumers to make payments is also not the same concern as in the credit card context. In the credit card context, Regulation Z had previously only required card issuers to mail monthly billing statements 14 days prior to the due date. This short time frame was particularly problematic because it required credit card payments changed every month as the card as used and/or finance charges accrued. TILs, however, have the same monthly payment and due date each and every month (with minor exceptions if the first or last payment is slightly different). Customers know how much is due and on what date every month with essentially 30 days notice each month. This is clearly and conspicuously disclosed on the Payment Schedule required by Regulation Z. Consumers may also receive monthly statements reminding them of the payment amount and due date.

Based on the above, there is no mismatch between TIL consumers' expectations and their actual experience. TILs have a robust and stringently enforced state law framework that makes the expectations clear on the date of origination, as well as throughout the life of the loan.

In this section, the CFPB expresses concern that some borrowers may have the ability to repay at origination, but changes in their circumstances such as illness, loss of employment, family disruptions such as divorce or separation, or unexpected expenses could nevertheless lead to delinquency or default. Of course, this could apply to prime and non-prime loans alike. AFSA members are also concerned about these scenarios, which is why they offer voluntary protection products, such as optional credit insurance. (Traditional installment lenders may also

[20] *The Cost of Personal Borrowing in the United States.* Financial Publishing Company, a division of Carleton, Inc.. Updated regularly.
[21] *Ibid.*

work with their customers in these situations, possibly by allowing them to skip a payment.) Credit insurance protects the borrower should she be unable to make payments on the loan due to unexpected events such as death, disability, or job loss. In the case of death, credit insurance will pay off the loan. In the case of disability, or job loss, the insurance will make the monthly payments on the loan. The cost of such products are capped by state statutes, and taken into account when determining the borrower's ability to repay the loan.

These products are valuable to both the lender and the borrower. The lender benefits by lower charge-off on accounts with voluntary protection products. The borrower benefits because the loan is paid in whole (e.g., life insurance or property insurance if the property securing the loan is destroyed or stolen) or in part (e.g., disability insurance) if the borrower suffers a covered loss. This means that the loan is not charged-off and the borrower's credit rating is not damaged by the loss. These benefits take great burdens off borrowers at a very difficult time. Thus, rather than being products about which the CFPB should be concerned, voluntary protection products are greatly beneficial to borrowers and help avoid the very "enhanced collection efforts" with which the CFPB appears to be concerned.

VI. Potential Consumer Harm from Voluntary Protection Products

AFSA is glad that the CFPB is anxious to learn more about voluntary protection products. This section focuses on the two main concerns expressed in the RFI regarding voluntary protection products: (1) the marketing of voluntary protection products, and (2) the cost of voluntary protection products. The CFPB also asks if there are other consumer protection concerns associated with the use of voluntary protection products. We do not believe there are other consumer protection concerns, but we do believe that there are important consumer benefits to voluntary protection products.

When discussing potential consumer protection issues surrounding the marketing of voluntary protection products, the CFPB cites its public enforcement actions associated with unfair and deceptive marketing. In these enforcement actions, which were primarily against credit card companies that were selling voluntary protection products via telemarketing, the CFPB found or alleged that some companies offering voluntary protection products failed to state that such products are voluntary, placed the coverage without the knowledge or consent of the consumer and did so without regard to whether the consumer could ever use the product (e.g., some companies sold involuntary unemployment insurance to retired consumers or disability insurance to disabled customers). These enforcement actions were the result of practices by telemarketers whose only incentive was to make the sale and make it quickly. They were able to take many of these actions because as the credit card issuer, the company already had the consumer's card information on which to charge the premium.

These problems do not exist in the traditional installment lending space. Traditional installment lenders do not market voluntary protection products in this way. Unlike telemarketers, traditional installment lenders have important incentives to keep good customer relationships, so they make sure the products offered are of value to the customer. They typically explain the products they offer face-to-face and customers have to sign disclosures in order to verify their voluntary decision to buy the product. The following Regulation Z required disclosures are provided: a statement that the product is voluntary; the total cost of the coverage; and the customer's affirmative consent to purchase, via the customer's signature. There is no telemarketing, no one implies that the voluntary protection product is a condition of the loan, and no one is billed without their permission.

TIL customers also have to complete and sign an application for coverage. This application asks the customers a few important eligibility questions, such as whether they are currently working or have recently been treated or diagnosed with certain conditions, such as cancer, heart attack, stroke, or AIDs. If a customer is not working or has been diagnosed with these certain medical conditions, they are not eligible for the coverage and they are told that at the time. This prevents customers who can never use the coverage from being charged for the coverage.

Coverage can be terminated by the customer by notifying the lender that the customer no longer wants coverage. If coverage is terminated or the loan paid off early or refinanced within a short time period after the loan, state law generally requires the refunding of all unearned premium. Otherwise, depending on the type of insurance and the date of termination, the customer receives a prorated refund.

Traditional installment lenders do not take the decision to offer voluntary protection products casually. They are intimately familiar with the products and the benefits they provide because they have offered these products for the better part of a century. While they have seen participation rates fluctuate over the years, these products remain important to their customers. Small-dollar credit customers tend to have little to no savings and not a lot of room in their budgets for extra expenses. They worry about their loved ones and whether they might become disabled or unemployed, and how their family will make ends meet if that occurs. Many customers may work in jobs that do not offer group life or disability insurance. The small-dollar credit consumer may be in a job that makes individual life insurance cost-prohibitive. For example, among the top ten high-risk jobs that will make life insurance more expensive are roofers, refuse and recyclable collectors, miners, farmers, truck drivers, power line installers or repairers, and constructions workers.[22] In contrast to non-credit insurance products, credit insurance is affordable because it covers only the amount of the loan – a consumer does not have to buy (or afford) tens of thousands of dollars of insurance in order to be covered. And it is easy and convenient to purchase directly from the lender rather than having to seek out an individual agent. If a protected event occurs, the consumer or his executor works directly with the lender and its carrier to have the loan payments made or the balance cancelled.

As for the CFPB's concern about the cost of voluntary protection products, we emphasize that the cost associated with these products is small, sometimes only a few extra dollars per payment. Nevertheless, the insurance proceeds from the policy and commensurate benefit to the consumer can be considerable

Traditional installment lenders consider the cost of voluntary protection products when determining a customer's ability to repay. Traditional installment lenders use robust and effective ability-to-repay underwriting requirements that keep typical default rates low. They look at a consumer's income, debts, credit standing, and past payment history to calculate an Amount Financed, Total of Payments, and monthly payment amount that fits within the customer's budget. Traditional installment lenders use debt-to-income ratios and minimum disposable income figures. If the RFI is asking whether traditional installment lenders do a separate, complicated underwriting process when it comes to voluntary protection products, the answer is no. It is unnecessary to do so. That is because the cost of voluntary protection products is taken generally into account when figuring the ability to repay. Voluntary protection products are financed and therefore become a part of the Amount Financed, Total of Payments, and the customer's monthly payments. This in turn means that those amounts are taken into account when the lender determines whether the loan fits into its debt-to-income ratio requirements and disposable income requirements. Even if the cost of voluntary protection products were not figured into the ability to repay, the monthly cost of the products has little effect on a consumer's ability to repay the loan. There is no need to construct a separate or complicated regulatory mechanism to solve a problem that does not exist.

[22] Dunham, Nance. *10 Jobs that Can Make Getting Life Insurance Tough.* MSN Money. Aug. 10, 2015. Available at: http://www.msn.com/en-us/money/personalfinance/10-jobs-that-can-make-getting-life-insurance-tough/ss-BBlCdih#image=12

Lastly, we take this opportunity to discuss the benefits of voluntary protection products. Credit life insurance, disability insurance, and involuntary unemployment insurance ("IUI") and Guaranteed Auto Protection ("GAP") are voluntary protection products offered to borrowers at loan consummation with all the costs, benefits and exclusions of coverage disclosed to the borrower.

Even one late payment, which payment protection could prevent, could have a significant and detrimental impact on a borrower's credit score. The late payment could remain on a credit report for up to seven years. It could also cost the borrower in the form of late fees and higher interest rates on loans with any future creditors. Voluntary payment protection products help borrowers make payments caused by unplanned adverse events such as death, disability, and involuntary job loss. They help households maintain and possibly improve their credit scores. Not only are borrowers spared the distress of making payments during a difficult time, but voluntary payment protection products help borrowers save real dollars on future credit which can be used for savings.

A period of disability is more common than some may think. More than one in four of today's 20-year-olds will become disabled before they retire.[23] Many Americans unexpectedly lose their jobs due to budget tightening, reorganizations, or larger events such as the Great Recession.

A Federal Reserve study concluded that in 2001, more than 90 percent of installment credit users with credit insurance indicated a favorable attitude toward the insurance, a result similar to past surveys. Moreover, about 19 of every 20 purchasers of credit insurance said that they would purchase it again.[24]

The recent flooding in Louisiana has provided numerous examples of the benefits of voluntary protection products. One AFSA member customer in Louisiana got a flood claim (and an extra $1,500 check) to pay off her loan. The branch officer who spoke to her said that she cried her eyes out and told him that he was an angel. She wanted to call the CEO and tell him how much she appreciated the lender selling insurance on their loans. Insurance companies are settling many claims; this is only one example.

At the very least, voluntary protection products – such as credit insurance – provide peace of mind to consumers, much the same way that life insurance does. Almost 60 percent of Americans have some form of life insurance. Many have life insurance, even though they know (and hope) that they will not ever use it, but knowing the policy is there if needed provides great peace of mind.

Not only are voluntary protection products useful and desired, but they are highly regulated at the state level. They and their carriers are subject to the authority of the Departments of Insurance in the states for all their actions taken as an agent, including sales and marketing practices, premium collection and remittance to the insurer, policy fulfillment, and any other actions taken on behalf of the insurer or insured. State small-loan laws also govern insurance.

[23] Council Disability Awareness, *Chances of Disability – Me disabled?,* 2016. Available at: http://www.disabilitycanhappen.org/chances_disability/

[24] Durkin, Thomas, *Consumers and Credit Disclosures: Credit Cards and Credit Insurance,* Federal Reserve Bulletin, April 2002. Available at: http://www.federalreserve.gov/pubs/bulletin/2002/0402lead.pdf.

VII. Conclusion

In conclusion, TILs meet the needs of consumers and are fair and transparent. TILs are already sold in a competitive and highly federal and state-regulated marketplace. They are fixed-rate, fixed-payment, and fully-underwritten loans. A TIL that has been compliant with a myriad of state and existing federal laws for a hundred years is not an inherently unfair, deceptive or abusive. The CFPB should not seek to declare loan products and lender practices that are a result of carefully crafted state laws unfair, deceptive, or abusive.

We understand that the CFPB has consumer protection concerns regarding non-covered loans and certain practices. These concerns are understandable and we appreciate that the CFPB is looking into them. But we strongly emphasize that bad products and practices are not present in the traditional installment lending market. State laws, many of which have been in place for over a century, require traditional installment lenders to be licensed and supervised by the state, and require auditing of the lender's branch offices by those states in which they operate. The laws cap rate, limit fees, and set procedures for judgment enforcement. Additional state statutes also regulate the sale of credit insurance products. Because TILs comply with a hundred-year old state statutes and operate within the umbrella of specific regulations and limits, TILs are not unfair, deceptive, or abusive. To the extent that the CFPB is concerned with products or practices that may not be covered by the Proposed Rule, it should look outside the TIL industry.

AFSA appreciates the opportunity to comment on this RFI. Please feel free to contact me with any questions at 202-466-8616 or bhimpler@afsamail.org.

Sincerely,

Bill Himpler
Executive Vice President
American Financial Services Association

APPENDIX I

Mississippi

CHAPTER 35. GARNISHMENT

Tennessee

Part 2 Garnishment

APPENDIX II

SMALL LOAN PRIMARY AND ALTERNATE MAXIMUM CHARGE RATE STRUCTURES

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Alabama	**Mini-Code Loans of Less Than $2,000** Add-on Interest: 15% up to $750 10% of the excess to $2000; over $2,000 AF De-Regulated **Allowable Fees** *Surcharge:* 6% of Amount Financed; $3.00 per month *maintenance charge*	**Loans Less than $1,000** **1)** 36% up to $200; 24% on the excess to $999.99 **2)** Acquisition Fee of 10% of Amount Financed plus a handling charge of: Amount Financed / Mo. Chg. $100 - $300 / $12.00 $300.01 - $400 / $14.00 $400.01 - $500 / $16.00 $500.01 - $800 / $17.00 $800.01 - $999.99 / $20.00 **Maximum Term:** 12 months	25 months	Less than $2,000
Alaska	**Small Loan Act** **A)** 36% up to $850 plus; 24% of the excess to $10,000 **B)** Contracted Rate $10,000 to $25,000	NA	24.5 months if $1,000 or less; 48.5 months $1,000 to $2,500; 60.5 months over $2,500 to $5,000	$25,000
Arizona	**Consumer Loans to $10,000** **A)** 36% of the Amount Financed for loans that are $3,000 or less. **B)** Amount Financed > $3,000 36% up to $3000 plus; 24% on the remainder to $10,000 **Allowable Fees** ***$150 Origination Fee***	NA	24 months 15 days for loans of $1,000 or less; 36 months 15 days for loans over $1,000 to $2,500; 48 months 15 days for loans over $2,500 to $4,000; 60 months 15 days for loans over $4,000 to $6,000; for loans over $6,000 as agreed	$10,000
Arkansas	17% simple interest for all loans (no specific small loan provisions)	NA	No Specific Provisions	No Specific Provisions
California	**Consumer Loans** **A)** 2.5% per month of Amount Financed to $225 plus; 2.00% per month of the excess up to $900 plus; 1.50% per month of the excess up to $1,650 plus; 1.00% per month of the remainder up to $2,500. **B)** Over $2,500 deregulated **Allowable Fees** *Administrative Fee* : $50 for loans $2,500 and less; $75 for loans over $2,500	NA	Less than $500; 24 months and 15 days $500 to $1,500; 36 months and 15 days $1,500 to $3,000; 48 months and 15 days $3,000 to $5,000; 60 months and 15 days	No Specific Provisions

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Colorado	**Supervised Loans** **The Greater of:** **A)** 36% of Amount Financed up to $1,000 plus: 21% of the excess up to $3,000 plus; 15% of the remainder to $75,000 **OR** **B)** 21% on the entire balance up to $75,000	**For Loans of $1,000 or Less** *Acquisition Fee* of 10% of Amount Financed plus a handling charge of: Amount Financed / Mo. Chg. $100 - $300 / $12.50 $300.01 - $500 / $15.00 $500.01 - $750 / $17.50 $750.01 - $1,000 / $20.00 **Maximum Term**: 12 months	Up to $1000; 25 months $1,000 and over; 37 months	$75,000
Connecticut	**Small Loans** **Amount Financed of or Less $1,800:** $17 per $100 per year up to $600 plus; $11 per $100 per year to $1,800 **Amount Financed greater than $1,800**: $11 per $100 per year on entire cash advance up to $15,000	NA	Less than $1000, 24 month and 15 days $1000 to $1,800, 36 month and 15 days Over $1,800, 72 months and 15 days	$15,000
D.C.	24% per year simple interest of Amount Financed to $25,000	NA	No Specific Provisions	$25,000
Delaware	As agreed upon by contract	NA	No Specific Provisions	20% of capital stock and surplus
Florida	**Consumer Finance Act** **A)** 30% of Amount Financed up to $3,000 plus; 24% of the remainder up to $4,000 **B)** Amount Financed >$4,000 18% of the entire balance $4,000 up to $25,000	NA	No Specific Provisions	$25,000
Georgia	**Industrial Loan Law Up to $3,000** **Add-on or Discount Interest:** 10% per year of Principal amount **Allowable Fees** $3 per month *maintenance charge* 4% of Principal *collection fee* up to $50.00	**Loans Over $3,000 Not Subject to Industrial Loan Laws** **In General** **A)** As agreed upon by contract **OR** **B)** 7% Per year Simple Interest when no rate is established	36 months and 15 days	$3,000
Hawaii	**Discount Interest** $14 per $100 per year for first 18 months plus; $10.50 per $100 per year for the next 12 months, plus; $7.00 per $100 per year for the next 12 months, plus; $4 per $100 per year for the last 6 months	NA	48 months	$25,000
Idaho	No Specific Provisions	NA	No Specific Provisions	No Specific Provisions
Illinois	**For loans greater than $1,500 to $4,000** Acquisition charge not to exceed $100 plus a monthly handling charge that is tiered according to Amount Financed. **Allowable Fees:** *Handling charge* : $69 for loans of $1,500.01 to $1,600 to $124 for loans $3,900.01 to $4,000	**For principal amounts of $1,500 or less:** 99%TILA APR.	Loan must be fully amortizing. Minimum term of 6 consecutive equal payments with a period of not less than 180 days to maturity	$4,000 and total of all payments may not exceed 22.5% of consumer's gross monthly income

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Indiana	**Supervised Loans** **Greater of:** **A)** 36% of Amount Financed to $2,000 plus, 21% of the excess to $4,000 plus 15% to $54,600 **OR** **B)** 25% simple on the entire balance	**Loans Between $50 and $605** 15% to $250; 13% to $400; 10% to $605 **Allowable Fees** $25 for any dishonored check	$2,000 or less; 25 months Over $2,000 to $4,000; 37 months Over $4,000; No limit	$54,600
Iowa	**Regulated Loans** 36% of Amount Financed to $1,000 plus; 24% of the excess to $2,800 plus; 18% of the remainder to $25,000	NA	No Specific Provisions	$54,600
Kansas	**Consumer Loans** 36% of Amount Financed up to $860 plus; 21% of the remainder up to $25,000 **Allowable Fees:** "Pre-paid Finance Charges" Permissible: $100 or 2% of the Amount Financed (lesser of)	NA	$300 or less 25 months; over $300 to $1,000 37 months	$25,000
Kentucky	**Consumer Loans** **A) 36% of Amount Financed to $3,000** **B)** Amount Financed > $3,000 24% on entire balance up to $15,000 **Allowable Fees:** ***Credit Investigation Fee* $1.50 per $50, or fraction thereof, on the first $2,000 of Principal; Max $60**	NA	60 months and 15 days for $3,000 or less; 120 months if loan exceeds $3,000	$15,000
Louisiana	**Consumer Loans** 36% of Amount Financed up to $1,400 plus; 27% on the excess up to $4,000 plus; 24% on the excess up to $7,000 plus; 21% on the remainder **Allowable Fees:** *Origination Fee* $50 *Documentation Fee* $20	NA	No Specific Provisions	No Specific Provisions
Maine	**Supervised Loans** **A)** 30% of Amount Financed up to $2,000 plus; 24% of the excess to $4,000 plus; 18% on the remainder to $8,000 **B)** Amount Financed > $8,000 18% on entire balance up to $54,600	NA	No Specific Provisions	$54,600
Maryland	**A)** 33% of Amount Financed up to $1,000 plus; 24% of the excess up to $2,000 **B)** Amount Financed > $2,000 24% on the entire balance up to $6,000	NA	30 months and 15 days to $700; 36 months and 15 days over $700 to $2,000; 72 months and 15 days for over $2,000	$6,000

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Massachusetts	23% of Amount Financed **Allowable Fees:** $20 Administrative Fee	NA	No Specific Provisions	$6,000
Michigan	**Credit Reform Act** 25% per year **Allowable Fees:** *Loan Processing Fee* 5% up to **$300**	NA	No Specific Provisions	No Specific Provisions
Minnesota	**Regulated Loan Act** **The Greater of:** **A)** 33% of Amount Financed up to $1,125 plus; 19% on the excess to $100,000 **OR** **B)** 21.75% on the entire balance **Allowable Fees:** **$25 One Time Administratitve Fee**	NA	No Specific Provisions	$100,000
Mississippi	**Small Loan Regulatory Law** **A)** 36%of Amount Financed up to $1,000 plus; 33% on the excess up to $2,500 plus 24% on the excess up to $5,000 **B)** Amount Financed > $5,000 14% on the entire balance **Allowable Fees:** ***Closing Fee* 4% of Total of Payments Max: $25**	NA	No Specific Provisions	No Specific Provisions
Missouri	**Consumer Loan Act** As agreed upon by contract **Allowable Fees:** **10% Origination Fee Max: $100**	NA	Unsecured loan of $500 or less, minimum term 14 days, maximum term 31 days	No Specific Provisions
Montana	**Consumer Loan Act** As agreed upon by contract	NA	21 months for $300 or less, 25 months over $300 to $1,000 48 months over $1,000 to $2,500	No provisions
Nebraska	24% of Amount Financed to $1,000 plus; 21% on the remainder to $24,999.99 **Allowable Fees:** *Origination Fee* 7% on the first $2,000 plus; 5% of the excess over $2,000	NA	36 months, Up to $3,000 145 months over $3,000 to $24,999.99	$24,999.99
Nevada	No Specific Provisions	NA	No Specific Provisions	No Specific Provisions
New Hampshire	36% APR according to Reg Z. up to $10,000 **Allowable Fees:** *Application Fee* and *Membership Fee:* One per year of each to be excluded from maximum rate calculation	NA	No Specific Provisions	$10,000

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
New Jersey	**Licensed Lenders 30%** **Unlicensed Lenders 16%**	NA	Loan to $1,000, 36 months and 15 days; loans over $1,000 through $2,500, 48 months and 15 days; loans over $2,500 through $5,000, 60 months and 15 days; loans over $5,000 to $10,000, 84 months and 15 days; loans over $10,000, 120 months and 15 days	$50,000
New Mexico	As agreed upon by contract	NA	No Specific Provisions	$2,500
New York	25% General Usury Law to $25,000	NA	No provisions	$25,000
North Carolina	**Consumer Finance Act** **A)** 30% to $4000 plus; 24% of the excess to $8000 plus; 18% of the remainder to $10,000 **B)** Amount Financed > $10,000 18% on the entire balance to $15,000 **Allowable Fees:** *Origination Fee* $25 up to and including $2,500; Over $2,500 1% maximum $40	NA	Must be between 12 and 96 months	$15,000
North Dakota	**Consumer Finance Act** As agreed upon by contract up to $35,000	NA	On loans of less than $1,000; 24 1/2 months On loans over $1,000 to $35,000; no provisions	$35,000
Ohio	**Consumer Finance Small Loan Regulations** 28% of the Amount Financed to $1,000 plus; 22% of the remainder to $5,000 **Allowable Fees:** *Origination fee:* The greater of 1% of principal or $30	Any rate agreed to in writing, not to exceed 25%	No Specific Provisions	$5,000
Oklahoma	**Supervised Loans** **Greater of:** **A)** 27% of Amount Financed up to $2,910 plus, 23% of the excess to $6,200 plus, 20% of the remainder to $54,600 **OR** **B)** 25% simple	**Loans Under $300** 20% to $299.99 **Allowable Fees** *Acquisition Charge of* 10% of Principal for loans between $30.00 and $300 plus a *Handling Charge* of: **Loans $1470 or less:** Amount Financed / Monthly Charge $1.00 - $146.95 / $4.90 for each $24.50 advanced $146.96 - $171.50 / 10% +$14.70 $171.51 - $343 / 10% + $17.15 $343.01 - $490 / 10% + $19.60 $490.01 - $735 / 10% + $22.05 $735.01 - $1470 /10% + $24.50	One month for each $10 of principal up to 10 months or One month for each $20 of principal for loans of $100 or more. No less than 60 days	$54,600

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Oregon	**Consumer Finance Act** **Greater of:** **A)** 36% APR **OR** **B)** 30% above 90 Day Commercial paper at FRB San Francisco up to $50,000	NA	60 days or less	$50,000
Pennsylvania	**Consumer Discount Company Act** **Discount Interest :** $9.50 per $100 per year to 48 months; $6.00 per $100 per year for remainder of term up to $25,000	NA	7 years and 15 days	$25,000
Rhode Island	36% of the Amount Financed to $300 plus; 30% of the excess to $800 plus; 24% of the remainder to $5,000	**Industrial Loan Act** 7.5% discount plus a fee; maximum effective rate of 24% for loans over $1,000	25 months if principal is $1,000 or less; 60 months over $1,000 to $5,000	$5,000
South Carolina	**Regulated Loans** **(A)** $150 or less; arbitrary charge $2.50 per month, plus; 7% flat fee on the loan, maximum $56 **(B)Add-On** $150.01 - $ 720; 25% $720.01 - $1200; 18% $1200.01 - $2400; 12% Plus 7% flat fee on the loan, maximum $56 **(C)Add-On** $2,400.01-$7,500; 9% per year on entire balance, plus; 5% flat fee on the loan, maximum $200 **Allowable Fees:** *Maintenance Charge* $2.00 per month	18% Simple interest or rate filed and posted	Cash advance of $1,050 or less, 25 months; cash advance of $1,051 to $3,500, 37 months; cash advance over $3500, no limit	$87,500
South Dakota	**Installment Loan Law** As agreed upon by contract	NA	No Specific Provisions	No Specific Provisions
Tennessee	**Industrial Loan Act** 7.5% discount plus a fee; maximum effective rate of 24% for loans over $1,000	**Loans Under $1000** **Allowable Fees** *Acquisition Fee* of 7.5% of loan principal plus a *handling charge* of: Amount Financed / Mo. Chg. $100 - $300 / $12.00 $300.01 - $400 / $14.00 $400.01 - $500 / $16.00 $500.01 - $1,000 / $20.00	Maximum term to $300, 24 months; $300-$1,000 36 months; $1,000 and over 120 months.	$1,000

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Texas	**Add-on Interest** $18 per $100 per year to $2,010 plus, $8 per $100 per year on the remainder to $16,750. **OR** **Simple Interest** 30% of the principal up to $3,350 plus, 24% of the excess up to 7,035 plus, 18% of the remainder up to $16,750 **Allowable Fees** *Admin Administrative Fee* of $100 for loans of $1,000 or less; $25 for loans over $1,000.	**Small Installment Loans** 20% up to and including $29.99 10% of Principal for loans between $30.00 up to $670 Flat $10 on Loans on $100 and over **Allowable Fees** *Handling Charge* of: Loan Amount/ Monthly Charge $30.00 -$ 35.00; $3.00 $35.01 -$ 70.00; $3.50 $70.01- $100.00; $4.00	Maximum term is one month for each $20 of cash advance.	$16,750
Utah	As agreed upon by contract to $25,000	NA	No Specific Provisions	$25,000
Vermont	**Licensed Lenders** **The Greater of:** **A)** 24% of Amount Financed up to $1,000 plus; 12% on the remainder OR **B)** 18% on the entire outstanding balance	NA	No Specific Provisions	No Specific Provisions
Virginia	**Consumer Finance Act** **A)** 36% of Amount Financed up to $2,500 **B)** Any rate agreed to by contract > $2,500	NA	No Specific Provisions	No Specific Provisions
Washington	**Consumer Loan Act** 25% Simple Interest **Allowable Fees** *Origination Fee* 4% of Principal up to $20,000	NA	6 years and 15 days	No Specific Provisions
West Virginia	**Consumer Credit and Protection Act** **A)** 31% of Amount Financed up to $2,000 **B)** Amount Financed > $2,000 27% on the entire balance up to $10,000 **Loans over $10,000** 18% on entire balance **2% Origination Fee (up to $10,000)**	**West Virginia Lending and Credit Rate Board** 18% for "all loans"	No Specific Provisions	$10,000
Wisconsin	As agreed upon by contract	NA	On loans of $3,000 or less, 24 months and 15 days if principal is $700 or less, 36 months and 15 days if principal is over $700	No Specific Provisions
Wyoming	**Supervised Loans** **The Greater of:** **A)** 36% of Amount Financed up to $1,000 plus; 21% of the excess up to $75,000 **OR** **B)** 21% on the entire balance up to $75,000	NA	25 months if the principal amount is $300 or less; 37 months if the principal is greater than $300 up to $1,000; over $1,000 no limit	$75,000

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Breakout of the 12 States That Have More Than One Possible Rate Structure for a Lender to Elect				
Alabama	**Mini-Code Loans of Less Than $2,000** Add-on Interest: 15% up to $750 10% of the excess to $2000; over $2,000 AF De-Regulated **Allowable Fees** *Surcharge:* 6% of Amount Financed; $3.00 per month *maintenance charge*	**Loans Less than $1,000** **1)** 36% up to $200; 24% on the excess to $999.99 **2)** Acquisition Fee of 10% of Amount Financed plus a handling charge of: Amount Financed / Mo. Chg. $100 - $300 / $12.00 $300.01 - $400 / $14.00 $400.01 - $500 / $16.00 $500.01 - $800 / $17.00 $800.01 - $999.99 / $20.00 **Maximum Term:** 12 months	25 months	Less than $2,000
Colorado	**Supervised Loans** **The Greater of:** **A)** 36% of Amount Financed up to $1,000 plus: 21% of the excess up to $3,000 plus; 15% of the remainder to $75,000 **OR** **B)** 21% on the entire balance up to $75,000	**For Loans of $1,000 or Less** *Acquisition Fee* of 10% of Amount Financed plus a handling charge of: Amount Financed / Mo. Chg. $100 - $300 / $12.50 $300.01 - $500 / $15.00 $500.01 - $750 / $17.50 $750.01 - $1,000 / $20.00 **Maximum Term**: 12 months	Up to $1000; 25 months $1,000 and over; 37 months	$75,000
Georgia	**Industrial Loan Law Up to $3,000** **Add-on or Discount Interest:** 10% per year of Principal amount **Allowable Fees** $3 per month *maintenance charge* 4% of Principal *collection fee* up to $50.00	**Loans Over $3,000 Not Subject to Industrial Loan Laws** **In General** **A)** As agreed upon by contract **OR** **B)** 7% Per year Simple Interest when no rate is established	36 months and 15 days	$3,000
Illinois	**For loans greater than $1,500 to $4,000** Acquisition charge not to exceed $100 plus a monthly handling charge that is tiered according to Amount Financed. **Allowable Fees:** *Handling charge* : $69 for loans of $1,500.01 to $1,600 to $124 for loans $3,900.01 to $4,000	**For principal amounts of $1,500 or less:** 99%TILA APR.	Loan must be fully amortizing. Minimum term of 6 consecutive equal payments with a period of not less than 180 days to maturity	$4,000 and total of all payments may not exceed 22.5% of consumer's gross monthly income
Indiana	**Supervised Loans** **Greater of:** **A)** 36% of Amount Financed to $2,000 plus, 21% of the excess to $4,000 plus 15% to $54,600 **OR** **B)** 25% simple on the entire balance	**Loans Between $50 and $605** 15% to $250; 13% to $400; 10% to $605 **Allowable Fees** $25 for any dishonored check	$2,000 or less; 25 months Over $2,000 to $4,000; 37 months Over $4,000; No limit	$54,600

State	Primary Small Loan Maximum Interest Rate	Alternate Small Loan Maximum Interest Rate	Primary Maximum Maturity	Primary Maximum Loan
Ohio	**Consumer Finance Small Loan Regulations** 28% of the Amount Financed to $1,000 plus; 22% of the remainder to $5,000 **Allowable Fees:** *Origination fee:* The greater of 1% of principal or $30	Any rate agreed to in writing, not to exceed 25%	No Specific Provisions	$5,000
Oklahoma	**Supervised Loans** **Greater of:** **A)** 27% of Amount Financed up to $2,910 plus, 23% of the excess to $6,200 plus, 20% of the remainder to $54,600 **OR** **B)** 25% simple	**Loans Under $300** 20% to $299.99 **Allowable Fees** *Acquisition Charge of* 10% of Principal for loans between $30.00 and $300 plus a *Handling Charge* of: **Loans $1470 or less:** Amount Financed / Monthly Charge $1.00 - $146.95 / $4.90 for each $24.50 advanced $146.96 - $171.50 / 10% +$14.70 $171.51 - $343 / 10% + $17.15 $343.01 - $490 / 10% + $19.60 $490.01 - $735 / 10% + $22.05 $735.01 - $1470 /10% + $24.50	One month for each $10 of principal up to 10 months or One month for each $20 of principal for loans of $100 or more. No less than 60 days	$54,600
Rhode Island	36% of the Amount Financed to $300 plus; 30% of the excess to $800 plus; 24% of the remainder to $5,000	**Industrial Loan Act** 7.5% discount plus a fee; maximum effective rate of 24% for loans over $1,000	25 months if principal is $1,000 or less; 60 months over $1,000 to $5,000	$5,000
South Carolina	**Regulated Loans** **(A)** $150 or less; arbitrary charge $2.50 per month, plus; 7% flat fee on the loan, maximum $56 **(B)Add-On** $150.01 - $ 720; 25% $720.01 - $1200; 18% $1200.01 - $2400; 12% Plus 7% flat fee on the loan, maximum $56 **(C)Add-On** $2,400.01-$7,500; 9% per year on entire balance, plus; 5% flat fee on the loan, maximum $200 **Allowable Fees:**	18% Simple interest or rate filed and posted	Cash advance of $1,050 or less, 25 months; cash advance of $1,051 to $3,500, 37 months; cash advance over $3500, no limit	$87,500
Tennessee	**Industrial Loan Act** 7.5% discount plus a fee; maximum effective rate of 24% for loans over $1,000	**Loans Under $1000** **Allowable Fees** *Acquisition Fee* of 7.5% of loan principal plus a *handling charge* of: Amount Financed / Mo. Chg. $100 - $300 / $12.00 $300.01 - $400 / $14.00 $400.01 - $500 / $16.00 $500.01 - $1,000 / $20.00	Maximum term to $300, 24 months; $300-$1,000 36 months; $1,000 and over 120 months.	$1,000

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West Virginia	**Consumer Credit and Protection Act** **A)** 31% of Amount Financed up to $2,000 **B)** Amount Financed > $2,000 27% on the entire balance up to $10,000 **Loans over $10,000** 18% on entire balance	**West Virginia Lending and Credit Rate Board** 18% for "all loans"	No Specific Provisions	$10,000