CAR-TITLE LENDING

The State of Lending in America &
its Impact on U.S. Households

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CAR-TITLE LENDING ABUSES AND PREDATORY PRACTICES

Car-title loans are expensive loans averaging more than $1,000 that are secured by the title to a vehicle that the borrower owns free-and-clear. They are traditionally offered as payday-loan-like single-payment loans with one-month terms, which tend to be renewed multiple times like their payday counterparts. An emerging practice is a movement toward longer-term and still high-cost installment products.

The very structure of car-title loans leads to problems for consumers, including excessive repayment fees and repossessions, as detailed below.

Asset-Based Lending

Asset-based lending generally refers to making loans without evaluating the borrower's ability to repay the loan. Instead, lenders base the decision of whether and how much to lend on the value of the collateral. A classic example of asset-based lending was subprime mortgage loans made in the height of the mortgage bubble of the 2000s, when lenders often did not even ask for proof of borrower income. Borrowers who could not afford their loans had no choice but to continually refinance their loans based on the value of their homes or sell their houses to pay off the loans.[1]

Car-title lenders similarly engage in asset-based lending. Car-title loans are based on the value of a borrower's car that is owned free-and-clear, rather than the ability of the borrower to repay the loan and meet other obligations without re-borrowing. A typical car-title loan requires no credit check,[2] and lenders do not generally ask about monthly expenses or debts. Some do not ask about income[3] or require that the borrower have a bank account. Rather than properly underwriting the loans based on a borrower's income and obligations, lenders protect themselves from loan losses by lending only a small percentage (about one-quarter) of the car's consumer resale value (commonly known as "Blue Book" value) and repossessing the vehicle in the event of default.[4]

1 Federal banking regulators issued joint guidance against asset-based lending, which stated: "Loans to borrowers who do not demonstrate the capacity to repay the loan, as structured, from sources other than the collateral pledged, are generally considered unsafe and unsound" (OCC, FRB, FDIC, & OTS, 2001). Notably, these provisions applied to all types of bank-originated credit, not simply mortgages.

2 Martin & Adams (2012) state in their survey of all car-title lending stores in Albuquerque, NM, "Income requirements in the loans were lenient to non-existent." Certainly, these are how the loans are marketed. For example, TitleMax—a leading national car-title loan company—states on its website, "Your credit score doesn't matter. TitleMax can give you a title loan whether you have good credit, bad credit, or no credit. And your credit score isn't affected by applying/obtaining a title loan with TitleMax." Elsewhere on the website, it states: "You do not need good credit. TitleMax does not check your credit or use your credit history in any way during the approval process" (TitleMax, 2013).

3 For example, Zywicki (2010) states, "**Lenders may** [emphasis added] verify employment, income, and perform a credit check, but the practice is not uniform. Most scrutiny focuses on the value of the car rather than the borrower."

4 Lenders sometimes state that they lend a higher percentage of the car's value, but this is based off of the vehicle's wholesale value (known as the "Black Book" value, which is similar to a dealer's trade-in value). The Black Book value is lower than the Blue Book value.

A title lending industry trade group, the American Association of Responsible Auto Lenders (AARAL), wrote in a 2011 comment letter to the Consumer Financial Protection Bureau (CFPB): "The loan we provide is secured by a first lien on the customer's vehicle and the amount of the loan is based on an appraisal of the value of the vehicle. By contrast, many other alternative financial service providers make an unsecured loan primarily based on an evaluation of the consumer's credit."

In a law review article, Martin & Adams (2012) write:

> **With few exceptions, title lenders have no interest in whether the consumer borrowing the money can afford to pay back the loan or make the monthly interest payments. Ability to repay is not part of the underwriting process.** [Emphasis added.] Nor need it be in order for lenders to collect their loan and then some. Since some lenders lend at 40% of value or less, they can rely on [repossessing and selling] the car if the borrower stops making the monthly payments. These practices also explain why some title lenders sell used cars as well. Only in this context would a lender loan $4,000 to someone who makes just $980 a month. By structuring a loan with $580 monthly payments from a person who makes less than $1,000 a month, a lender can assure that he or she will end up with the payments for some period, and then the car.

CRL and the Consumer Federation of America (CFA) analyzed litigation records made public during litigation against a large Delaware-based car-title lender.[5] To our knowledge, this is the first-ever analysis of class action car-title data, and we present findings from this analysis throughout this *State of Lending* chapter. These data—which include records from 561 auto title borrowers—support Martin & Adams's analysis. Figure 1 shows that the median loan-to-value ratio among borrowers in these data is 26%, while the median APR is 300%; that is to say, borrowers paid very high interest for loans with significant excess collateral.

Figure 1: Loan Characteristics from CFA/CRL Car-Title Data

Median Loan Size	$845
Median Car Value (Blue Book Value)	$3,150
Median Loan-to-Value Ratio	26%
Median APR	300%

Balloon Payments and Repeat Borrowing

Many car-title loans combine balloon payments with a short (30-day) loan term, requiring the borrower to repay the full principal plus a substantial fee in just one month. Most borrowers cannot repay the full amount due (principal plus interest) in one payment after just a month and still be able to pay their other expenses. As a result, they end up in a cycle of debt, taking out one loan after another in an effort to stay financially afloat; a loan that is advertised as short-term ends up creating a long-term debt treadmill.

5 Records were made available to CRL and CFA by Robert F. Salvin, Esq., Community Justice Project, made public through *Salvatico v. Carbucks of Delaware, Inc.* For additional information about the data and analysis, see Fox, Feltner, Davis, & King (2013).

Car-title lenders exploit the mistaken perception that these loans are short-term by sometimes offering the first single balloon payment loan for "free" or at a reduced rate,[6] knowing that borrowers will be hard-pressed to pay back even only the principal borrowed in a month. These lenders lure borrowers in with the prospect of a "free" loan but enjoy significant fees after borrowers take out additional loans in rapid succession. The President of TitleMax, one of the largest car-title lending companies with stores in multiple states, highlighted the cycle of debt in a deposition: "Customer loans are typically renewed at the end of each month and thereby generate significant additional interest payments" (Robinson III, 2009). State data support the existence of a cycle of debt as well. For example, in 2010—the latest year reported—over 90% of loans in Tennessee were renewed, and only 12% of loans taken out that year were paid in full as of the end of the year (Tennessee DFI, 2012).

Threat of Repossession

As detailed in the following section, most car-title borrowers are low-income consumers who rely on their cars to commute to and from work. Repossession poses a real threat to employment and causes additional fees to be added to the balance of the loan. Paying back the loan is the top financial priority of borrowers, as the consequences of not doing so can be immediate and severe: Lenders use GPS devices to locate the car for repossession (Martin & Adams, 2012). Some even place a tracking device in the car that allows them to turn off the engine remotely.[7] Repossession is not an infrequent occurrence; for example, fully 60% of 2008 New Mexico car-title borrowers lost their car that year to repossession.

6 For example, according to the latest New Mexico car-title regulator report, the APRs on loans made in 2011 ranged from 0% to 717%, indicating that some borrowers received a "free" first loan (New Mexico Financial Institutions Division, 2012).

7 For example, according a CNN article, "A company based in Arizona said they have GPS systems installed on the cars so they can track the cars and shut them off remotely if they don't receive payment on time" (Neiger, 2008).

IMPACT ON U.S. HOUSEHOLDS

Car-title borrowers generally have low or moderate incomes. Regulators in Illinois (Veritec, 2013) and New Mexico (New Mexico Financial Institutions Division, 2010) report that car-title borrowers in their states have average gross incomes of under $25,000 ($24,531 and $24,493, respectively). Zywicki (2010) found that about half of all car-title borrowers are unbanked, lacking access to both mainstream and subprime credit.

Income Impact and Loan Churning

The combination of short-term balloon payments and minimal underwriting is particularly harmful to borrowers taking out traditional 30-day car-title loans. Figure 2 highlights that borrowers earning a typical income of $25,000 per year cannot afford to repay the average loan amount of $1,042—even a "free" loan with no fee—in a one-month loan term. If they did, they would not have enough money left over for basic living expenses. To stay afloat financially, they need to extend the loan by re-borrowing the principal and paying the fee multiple times in an expensive cycle of loan churn.

Figure 2: A 30-Day Car-Title Loan Results in a Debt Trap, Even with No Fee

Cost of a 30-Day Car-Title Loan for a Borrower Earning $25,000/Year in Gross Income		
	$0 per $100 fee ("free" loan, 0% APR)	$25 per $100 fee (300% APR)
	30-Day Income	
Before-tax income	$2,083	$2,083
Income taxes paid or (received, such as through the Earned Income Tax Credit)	($16)	($16)
After-tax income	$2,099	$2,099
Social Security & pension payments	$102	$102
Net one-month income	$1,997	$1,997
	Car-Title Loan Cost	
Fee due on average car-title loan of $1,042	$0	$261
Total payment due on average $1,042 car-title loan	$1,042	$1,303
Amount remaining to cover all other expenses	$955	$694
	30-Day Essential Expenditures	
Food	$357	$357
Housing	$977	$977
Transportation (incl. insurance, gas, maintenance)	$389	$389
Heath care	$221	$221
Total essential expenditures	$1,942	$1,942
Funds remaining (or deficit) after paying auto title loan and essential expenditures	**($987)**	**($1,248)**

Source: 2011 Consumer Expenditure Survey, Bureau of Labor Statistics, for households earning $20,000–$29,999 annually.

BORROWER STORIES

Whether structured as single-payment 30-day loans that require multiple renewals or as longer-term, high-cost installment loans, car-title loans create a long-term cycle of debt. These borrowers highlight the long-term cost of these loans:

JEFFREY SIMMONS, 56, of Glendale, Arizona, took out a $2,000 title loan with 156% APR to pay for repairs after his car broke down so he could travel to his dialysis appointments three times a week. Living off of a fixed income of $1,300 in monthly disability payments, he paid only interest on the loan for the first five months. When the balance was due in the sixth month, he refinanced. Of his current monthly $308 car-title payment, only $28 goes to principal. His car continues to break down, and he takes a bus to his dialysis appointments. Simmons advises, **"Try to stay away from them. You will never pay that stuff back"** (Brodesky and O'Dell, 2013).

JAMES HAGA of Marion, Virginia took out a $1,600 300% APR title loan on his truck. Ultimately, the lender repossessed his truck—worth $13,000—after having collected $4,500 (nearly three times the amount borrowed) in payments (Kirchhoff, 2006).

After repaying the principal due on the "free" loan, a typical borrower has $955 remaining to pay $1,942 in essential expenditures, leaving a deficit of $987. The situation is worse for borrowers who pay the fee of $261,[8] who end up with a deficit of $1,248. Many borrowers have other expenses not included in the chart above—such as child care, clothing, other debt obligations, and the like—and face even greater difficulty in repaying the loan.

Car-title loans are structured to be unaffordable. The only way most borrowers can meet the obligations of the 30-day balloon payment while meeting their other monthly expenses is either to pay only the fee and extend the loan or to take out a new loan shortly after repaying the old one. Many borrowers remain indebted until they default or receive an atypical cash infusion—such as a tax refund—that allows them to finally pay off the balance.

TitleMax data highlight this cycle of repeat borrowing, with a 30-day loan being "typically renewed eight (8) times," according to a deposition of the former CEO (Robinson III, 2009). Nine monthly loans per year (one loan plus eight renewals) puts the typical borrower in expensive, high-cost auto title debt three-quarters of the year. Figure 3 highlights the average cost of taking nine loans per year for the average loan size of $1,042.[9]

Borrowers who take out the typical nine title loans in a year pay back over three times the amount borrowed: $3,391 in payments for a $1,042 loan. This is the case even though they use a car typically worth more than $4,000—well over three times the loan amount—for collateral.

Figure 3: Total Borrower Cost of a Typical 30-Day Car-Title Loan

Average principal borrowed (see Appendix 1)	$1,042
Fee for first loan ($1,042*25%)	$261
8 additional renewal fees ($261*8)	$2,088
Total fees paid	$2,349
Total amount paid in principal and fees for a $1,042 loan	$3,391
Average car value *	$4,008

* Average car value assumes a 26% loan-to-value ratio (the median in the CRL/CFA data set).

8 Based on the typical fee of $25/$100 borrowed.

9 See Appendix 1 for the average loan size calculation.

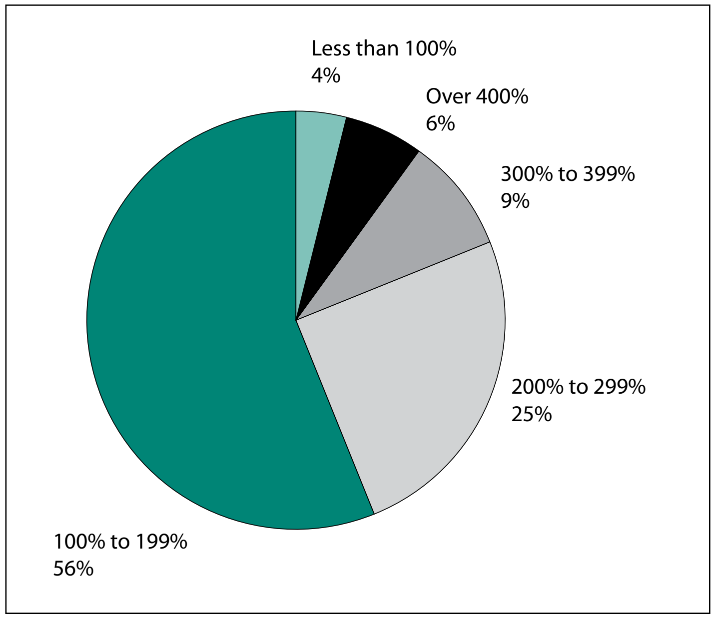
BORROWER STORIES

After his daughter returned from serving in Iraq and asked for financial help to relocate her family, **PRESTON WHITE**, 63, took out a title loan on his pickup truck from a store in Killeen, Texas. The 30-day, $4,000 loan carried a 375% APR. White had already spent his life savings on paying for treatment for his wife's pancreatic cancer and soon realized that his fixed income left him only enough money to cover the fees, not the principal. He recognized the cycle of debt: **"In four months, I could have paid more than what I went to the store for in the first place, and still owe the original loan amount," he said. "Never in my wildest imagination did I think that such a loan product could even exist. You assume the system will have usury laws and protect you from such things. . . . Everybody's got to make a profit, but there should be no place for usury in the 21st century."** He was ultimately able to retire the debt by taking out a loan at 16% APR through a credit union (Gogoi, 2010).

ALICIA AND CLINTON LUMMUS of Conyers, Georgia, took out a $525 car-title loan after injuries forced them both to stop working. Over eight months, they made payments totaling $1,056—more than twice the amount borrowed—but ultimately fell behind on payments. The lender repossessed the vehicle, worth $14,000—and was able to keep any excess money from the sale of the vehicle, since Georgia law allows the lender to do so (Kirchhoff, 2006).

CRL and CFA litigation data analysis provides further evidence that a car-title loan typically becomes a long-term cycle of debt.[10] The average borrower was indebted for six months. Around one in six borrowers (16%) was in continuous debt for at least one year. Figure 4 highlights how much borrowers paid in fees as a percentage of the amount that they borrowed. 96% paid at least as much in fees as they received in principal; 40% paid at least twice as much in fees as they received in principal; 15% paid at least three times as much; and 6% paid at least four times as much.

Figure 4: Fees Paid by Car-Title Borrowers as a Percentage of Loan Amount



Source: CRL/CFA proprietary data set on file with CRL.

Repossession

The threat of repossession of the vehicle that serves as collateral for a loan is a key incentive for borrowers to pay off their loans. According to a report from the National Consumer Law Center, every state allows lenders to repossess vehicles without a court order, and most of these repossessions are carried out by unlicensed individuals. These "self-help" repossessions can lead to bodily injury, trauma, or even death for the borrower, which "shows present flaws in the present system for automobile repossessions" stemming from the lack of basic legal protections afforded to auto owners (Van Alst & Jurgens, 2010).

10 For more information on these data, see footnote 5.

BORROWER STORIES

SHANELL WHITE of Elk Grove, California, needed money to pay for rent after her expenses increased when she began to care for her niece. She took out a $3,900 installment title loan using her car—worth $12,000—as collateral. After having paid nearly $10,500 over three years, she was told she still owed the full principal that she had borrowed. The lender repossessed and sold the car yet still sent her a bill for the loan after. "**To me, it's just modern-day loan sharking. People are being taken advantage of,"** she concluded (Said, 2013).

SEAN received a $1,500 car-title loan, which he renewed over 40 times—paying over $11,500 in interest—before receiving help from family to pay off the principal. He said, **"I was too embarrassed to ask my parents for the initial loan money, [but] ended up borrowing money from them to make some of the payments and ultimately had to ask them to pay off the whole loan, after losing tons of money along the way"** (Martin & Adams, 2012).

Car-title lenders claim that they repossess a relatively small number of vehicles compared with the number of loans made. However, the more relevant statistic is the number of repossessions relative to the number of borrowers, since most 30-day car-title borrowers take out many loans. In our litigation data set, one in six borrowers (17%) incurred a repossession fee, typically $350–$400, which averaged half of the borrower's outstanding balance.

Martin & Adams (2012) found even higher repossession rates in New Mexico between 2004 and 2008. Over this time, annual repossession rates ranged from 20% to 71%, depending on the year that the loans were made. Some of these borrowers ultimately paid back the loan (with substantial additional repossession and other fees). However, as shown in Figure 5, **the rates of vehicle loss increased substantially from 2004, when the rate was 15%, to 2008, when 60% of borrowers permanently lost their vehicles.** This suggests that more borrowers got into trouble as they were unable to get out of their loans.

Figure 5: New Mexico Car-Title Repossession and Vehicle Loss Rates by Customer

Year	2004	2005	2006	2007	2008
Repossession Rate by Customer	28.7%	20.2%	53.1%	47.5%	71.2%
Vehicle Loss Rate by Customer	14.6%	13.0%	41.0%	37.0%	60.1%

Source: Martin & Adams, 2012

Repossession and other fees are added to a borrower's running balance. As a result, despite the low loan-to-value ratio of the initial loan, nearly all proceeds of the repossession sale go directly to the lender.

Market Size

As highlighted in Appendix 2, 30 states—including the District of Columbia (DC)—do not have a noticeable presence of high-cost car-title lenders. More than half (53%) of American adults live in areas where these loans are not offered.

Twenty-one states have a significant presence of car-title lending. **Car-title lenders in these states originate an estimated 2.0 million car-title loans each year worth $1.9 billion in annual loan dollar volume, not including churn.[11] We estimate that borrowers pay $4.3 billion in fees alone on these loans.**

In addition, the Military Lending Act of 2006 (MLA) put in place protections from abusive lending practices for active-duty service members and their families. These protections include setting a 36% maximum annual interest rate for certain types of consumer credit and banning the use of an automobile title as security for a consumer credit loan. As a result, car-title loans cannot legally be made to active-duty service members or their dependents regardless of where they live. The MLA was enacted after the Defense Department grew concerned about active-duty service members becoming deeply indebted to high-cost lenders, including title lenders, which put their security clearances and their financial well-being at risk (DOD, 2006).

Types of Loans

30-Day Balloon Loans

30-day car-title loans are still the dominant market product, and are structured similarly to payday loans. Figure 6 highlights some similarities between these loans. Lenders market both as short-term: one pay period (typically two weeks) for a payday loan, and one month for a title loan. Lenders do not engage in underwriting for either product. As a result, borrowers repeatedly take out loans because they cannot afford to pay off the loan and cover their living expenses. Both types of loans carry very high costs, typically triple-digit annual interest rates.

11 For our estimates on loan volume and fees paid, see Appendix 3. For information on methodology, see Appendix 4. Note that these estimates are updated from CRL's publication from earlier this year, "Driven to Disaster" (Fox, Feltner, Davis, & King, 2013). This is because since publication of "Driven to Disaster," several state car-title loan regulators have issued updated regulatory reports that have allowed us to make new estimates.

Figure 6: Similarities between Payday and 30-Day Balloon Payment Car-Title Loans

Features	Payday Loans *	30-Day Balloon Payment Car-Title Loans
Typical Loan Size	$350	$1,042
Fee Charged	$15 per $100 borrowed	$25 per $100 borrowed
Underwriting for Affordability	None	None
Typical Loan Term	14 days, but often renewed	30 days, but often renewed
Typical APR	322%	300%
Collateral	Post-dated check or electronic bank account access	Title to vehicle
Typical Number of Renewals	9	8

* Data on payday loans from CFPB (2013).

Longer-Term Installment Loans

Despite the prevalence of 30-day balloon car-title loans, high-cost installment title loans are increasingly common. Installment car-title loans are offered in Texas, Illinois, New Mexico, and California. Borrowers pay off these amortizing installment products over a period of months or sometimes years. Their triple-digit annual interest rates mean that over the course of the loan, they perform similarly to a 30-day balloon loan that is refinanced multiple times. That is, installment loan borrowers pay more in interest than they receive in principal. Two examples are highlighted in figure 7: The Cash Store, a Texas-based car-title lender, charges 577% APR for a five-month installment car-title loan in which borrowers pay $1,700 to borrow just $1,000 (Cashstore.com, 2013). In Illinois, on average borrowers paid $2,030 in interest alone for an $893 loan, with an average loan term of over a year (392 days) and an APR of 212% (Veritec, 2013).

Figure 7: Installment Car-Title Borrowers Pay More in Fees Alone Than They Receive in Principal

	Principal Borrowed	Interest Paid	Total Paid	Loan term	APR
The Cash Store (Texas Car-Title Lender)	$1,000	$1,700	$2,700	154 days	577%
Illinois average figures from regulator report	$893	$2,030	$2,923	392 days	212%

LEGISLATION AND REGULATION

Car-title lending, like payday lending, began to surface in the 1990s when states exempted the car-title industry from consumer usury limits of around 36% APR. States without car-title lending generally simply have not acted to exempt title lenders from these usury limits. It is important to note that although many lenders argue that they cannot make loans at less than triple-digit rates, others continue to make small loans within these limits, with or without a car-title as collateral. For example, some banks and credit unions offer refinancing on car loans that include cash out to the owner. In addition, the FDIC's two-year Small-Dollar Loan Pilot Program—which featured unsecured loans of $2,500 or less at a maximum 36% APR for a loan term of at least 90 days—resulted in 34,400 loans with a principal balance of $40.2 million (Miller, Burhouse, Reynolds, & Sampson, 2010).

Of the 21 states with car-title lending, 17 have explicitly authorized car-title lending at triple-digit APRs or have set no rate cap. Over half of these 17 states have no limits on the interest or fees that lenders may charge.

Four states (California, Kansas, Louisiana, and South Carolina) have not explicitly authorized car-title lending, but lenders exploit loopholes or definitional weaknesses in state law to make these loans at triple-digit annual rates to borrowers:

- Car-title lenders in Kansas avoid a 36% annual rate cap that applies to closed-end small loans by calling the loans open-ended (Plunkett & Hurtado, 2011).
- In South Carolina, car-title loans are typically made for at least $601 to avoid the small loan rate cap that covers smaller loans. Similarly, in California, car-title loans are made for over $2,500 to avoid state laws that apply to smaller loan amounts.
- Although Louisiana specifically rejected an attempt to authorize car-title lending, car-title lenders operate under the terms of the Louisiana Consumer Credit Law by making title loans for more than $350 for a loan term of over two months.

Even in states that explicitly allow car-title loans at triple-digit APRs, lenders sometimes charge higher rates through a loophole or another statute not intended for their product. For example, even though the Missouri Title Loan Law allows unlimited interest rate charges, it requires a 10% principal reduction upon the third refinancing. To avoid this modest principal reduction requirement, lenders offer car-title loans under the state's small loan law (Hathaway, 2010).

Several states also authorize installment car-title loans. California, for example, authorizes consumer installment loans up to $5,000, whether unsecured or secured by real or personal property, including liens on motor vehicles.[12] Likewise, New Mexico allows for car-title installment loans.[13] Illinois explicitly provides for "title-secured loans" in amounts up to $40,000.[14]

In Texas, car-title installment loans are explicitly authorized.[15] However, most title lenders in Texas, whether offering traditional car-title loans or car-title installment loans, do so under the Credit Services Organization law.[16] Under this scheme, lenders position themselves as credit services organization (CSOs) and broker loans on behalf of borrowers. This allows title lenders to charge the maximum interest rate allowed on the underlying loan plus an addition brokerage fee.

12 California Finance Lender Law, Cal. Fin. Code § 22203

13 New Mexico Bank Installment Act, N.M. Stat. Ann. § 58-1-1, et seq.

14 Illinois Consumer Installment Loan Act, 205 Ill. Comp. Stat. §§ 670/15(a)

15 Tex. Fin. Code § 342.001, et seq.

16 Tex. Fin. Code §393.602

POLICY RECOMMENDATIONS

- The Consumer Financial Protection Bureau should promulgate regulations that rein in unfair, abusive, and deceptive car-title loan terms. Lenders should be required to evaluate a borrower's ability to repay the loan and meet other expenses without taking out a subsequent loan.

- Many states with car-title lending have caps of around 36% on the annual interest rates that may be charged for small loans. States that have granted exemptions to these interest rate limits to car-title lenders should revoke them, and states that have not should refrain from doing so.

- States that continue to authorize car-title lending should require that loans be structured as installment products with amortizing equal monthly payments, full consideration of the borrower's ability to repay the loan and afford other expenses, and reasonable rate limitations.

- State policymakers and regulators must remain vigilant in enforcing or strengthening their state lending laws. They should rein in evasion from car-title lenders, who sometimes seek to take advantage of narrow definitions, loopholes, or gaps in laws to charge higher rates than the legislature intended.

- In the event of a default, borrowers must be provided important consumer protections, including notice prior to repossession or sale of the vehicle, a right to redeem the vehicle, and a ban on deficiency balances (in which the borrower owes fees to the lender if the sale of their car does not cover the outstanding debt owed). Sale of repossessed vehicles should be commercially reasonable with any surplus returned to the borrower.

- In addition to substantive protections, the Consumer Financial Protection Bureau and states with car-title lending should collect and make public more data on title lending to allow for policy analysis on the borrower impact and various public policies in place to regulate the practice.

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Appendix 1: Weighted Average Car-Title Loan Amount

	Average Car-Title Loan Amount	Number of Car-Title Stores
Illinois	$893	437
New Mexico	$959	194
Texas[1]	$1,089	2,248
Virginia	$976	378
Total		3,267
Weighted Average	**$1,042**	

1 Texas provided data on both single-payment and installment car-title loans. To determine the average loan amount, we calculated the total loan volume (including both types of loans) and divided by the total number of loans (including both types of loans). In addition, Texas reported a total of 2,248 single-payment car-title lenders and 1,301 installment car-title lenders. Because we do not know how many stores make both types of loans, we included only the number of single-payment lenders. The number of stores in Texas may therefore be higher.

Appendix 2: Presence of Car-Title Lending by State

21 States with a Significant Presence of Car-Title Lending (at least $4 Million/Year Loan Volume, not including refinances)

Alabama (defined as a pawn transaction)
Arizona
California (>$2,500)
Delaware
Georgia (defined as a pawn transaction)
Kansas (open-ended)
Louisiana (>$350, loan term of over two months)
Idaho
Illinois
Mississippi
Missouri
Nevada
New Hampshire
New Mexico
South Carolina (>$600)
South Dakota
Tennessee
Texas
Utah
Virginia
Wisconsin

30 States (including DC) without a Significant Presence of High-Cost Car-Title Lending

Alaska
Arkansas
Colorado
Connecticut
District of Columbia
Florida
Hawaii
Indiana
Iowa
Kentucky
Maine
Maryland
Massachusetts
Michigan
Minnesota
Montana
Nebraska
New Jersey
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
Vermont
Washington
West Virginia
Wyoming

Appendix 3: Estimate of State and National Car-Title Loan Dollar Volume, Excluding Refinances

State	# Stores	Total # Loans	Total Loan Volume
Alabama	672	152,544	$158,950,848
Arizona	479	108,733	$113,299,786
California	281	63,787	$66,466,054
Delaware	56	12,712	$13,245,904
Georgia	375	85,125	$88,700,250
Idaho	108	24,516	$25,545,672
Illinois *[1]	437	59,673	$53,314,357
Kansas	86	19,522	$20,341,924
Louisiana	180	40,860	$42,576,120
Mississippi	360	81,720	$85,152,240
Missouri	343	77,861	$81,131,162
Nevada	197	44,719	$46,597,198
New Hampshire	43	9,761	$10,170,962
New Mexico *	194	41,080	$27,090,228
South Carolina	352	79,904	$83,259,968
South Dakota	89	20,203	$21,051,526
Tennessee *	837	334,658	$253,843,036
Texas *[2]	2,258[2]	475,681	$518,216,079
Utah	251	56,977	$59,370,034
Virginia *	378	128,446	$125,381,561
Wisconsin	162	36,774	$38,318,508
TOTAL	**8,138**	**1,955,256**	**$1,932,023,417**

The $1.9 B in non-churn principal results in $4.3 B in fees, assuming the typical eight renewals of the original loan and a typical fee of $25/$100 borrowed/loan.

For information on methodology, see Appendix 4.

* Figures from these states are regulator reported. (All other figures are estimated using methodology in Appendix 4.)

1 Illinois reported the number of loans from January–September 2010; we have imputed a yearly figure using the monthly average from the reported numbers.

2 Texas provided data on both single-payment and installment car-title loans. To get the average loan amount, we calculated the total loan volume (including both types of loans) and divided by the total number of loans (including both types of loans). In addition, Texas reported a total of 2,248 single-payment car-title lenders and 1,301 installment car-title lenders. Because we do not know how many stores make both types of loans, we included only the number of single-payment lenders. The number of stores in Texas may therefore actually be higher.

Appendix 4: Methodology for Determining National and State Car-Title Market

Overall methodology: We estimated the level of car-title lending in states that do not report it by multiplying the number of stores in each state by the average number of loans per store (227—see calculation below) by the average loan size from Appendix 1 ($1,042). We then estimated total fees paid, assuming the typical eight renewals or extensions of the original loan. To do so, we multiplied the total national non-churn loan volume by 25% (the typical fee) and then multiplied the result by nine to account for the original loan and eight renewals.

Methodology for number of stores in each state: In Texas, the regulator provided the number of entities reporting for both installment and single-payment title loans. In Illinois, the regulator emailed the approximate number of car-title locations in the state. In California, Idaho, Illinois, Kansas, Mississippi, New Mexico, Tennessee, Utah, and Virginia, the state regulator provided a list of locations licensed to provide title loans. In Missouri, our estimate accounts for both the regulator's reported number of title loan licensees as well as title lenders operating under separate small loan licenses (Hathaway, 2010). Title lenders in Alabama, Arizona, Delaware, Louisiana, Nevada, South Carolina, and South Dakota do not obtain specific title loan licenses but instead are part of a larger group of small loan licensees. As a result, we attempted to identify which of this larger group of lenders provide title loans through internet searches and phone calls to these companies. Title lenders in Georgia are not licensed by the state, so we estimated the number of locations through examination of the Yellow Pages and internet searches.

Methodology for average number of loans per store: We used data from the states that report the number of car-title stores and number of car-title loans to estimate a number of loans/store. See below for that calculation.

Weighted Average Number of Loans Per Store Annually, Not Including Renewals

State	# car-title stores	# loans	Avg # loans/store
Illinois	437	59,673[1]	137
New Mexico	190	41,080	216
Tennessee	762	209,155	274
Texas	2,258	475,681	211
Virginia	378	128,446	340
Total	4,025	914,035	
Weighted Average			**227**

1 Veritec (2013) provided the number of loans in Illinois from January–September 2012. We imputed the yearly equivalent by taking the monthly average and multiplying by 12.