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May 19, 2016

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CFPB Report Reveals Consumer Abuse In Car Title Lending
Building the Case For Federal Regulations on Predatory Lending

The federal Consumer Financial Protection Bureau issued a new report that demonstrates how auto title lenders depend on the same kind of high-interest, cyclical loans that characterize payday lending.

The CFPB's report found:

- Car title loans, on average, carry a 300% annual percentage rate.
- 80% of these loans are renewed the day they are due because borrowers cannot afford to repay them.
- One in five borrowers eventually had their cars seized by the lender.
- More than two-thirds of auto title loan business comes from borrowers who take out seven or more consecutive loans and remain in debt for most of the year.

A separate analysis that the Center for Responsible Lending released late last year found that the 599 car title lenders in Ohio drain more than \$318 million in fees annually from Ohioans. More than 80% of these auto title loan storefronts also peddle payday loans.

"The CFPB confirmed what we already knew – auto title loans are a threat to the financial security of Ohio families," said Kalitha Williams, Policy Liaison of Policy Matters Ohio.

"Despite there being no law authorizing auto-title lending in our state, every year lenders are draining hundreds of millions of dollars in fees from Ohio family budgets. The family car is vital to getting to work, buying groceries and taking kids back and forth to childcare and school."

The CFPB report underscores the need for a strong national rule that reins in the worst abuses of payday and car title lending. The agency released draft rules last year and is expected to issue final regulations in June.

“If we didn’t already know the damage payday and auto title lenders inflict on vulnerable Ohioans, this report provides even more evidence of it. The CFPB has built a strong case for regulating these parasites. Now we need CFPB Director Rich Cordray to follow through with rules that will finally stop the cycle of debt that this industry peddles,” said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio.

Consumer advocates in Ohio are calling on the CFPB to finalize strong regulations that prevent payday lenders and other abusive types of consumer lenders from exploiting legal loopholes.

“Despite a 2008 mandate from Ohio voters to end predatory payday lending, many lenders never stopped peddling toxic loans,” said ProgressOhio Executive Director Sandy Theis. “They exploited loopholes in state law and continue practices that target members of the military and low- and middle-income families.

“State legislators have been unwilling to tackle payday lending, but now we have another chance to stop the debt trap with pending rules from the CFPB,” she added.

Additional Information:

CFPB Report on Auto Title Lending: <http://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-one-five-auto-title-loan-borrowers-have-vehicle-seized-failing-repay-debt/>

CRL Report on Ohio Payday Loan Fees: <http://www.responsiblelending.org/research-publication/buckeye-burden-analysis-payday-and-car-title-lending-ohio>

Ohio Advocates’ 2015 Letter On CFPB Rules: <https://www.cohhio.org/files/Cordray%20letter%20stronger%20rules.pdf>

CRL Analysis of CFPB Draft Rules: <http://www.responsiblelending.org/research-publication/cfpbs-preliminary-proposal>