



consumer tip

BBB Serving Central, Northern & Western Arizona
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“Fast, Easy, Hassle Free Cash” What Consumers Should Know About Auto Title Loans

(Yuma, AZ – February 8, 2013) From billboards to online banners, ads for auto title loans seem to be everywhere. Offering up to \$100,000, ads claiming, “No title needed,” “No credit check required,” and “Fast and easy approval” appeal to consumers with poor credit by showing individuals with bundles of cash on hand. While auto title loans offer quick cash and convenience, Better Business Bureau (BBB) advises consumers that signing a contract without understanding the process and their rights could lead to the loss of their vehicle.

After legislation banned payday loans in Arizona in 2010, auto title lenders became the convenient alternative to those looking for fast cash. Known as short-term, high-interest loans secured by the title of a used vehicle, car title loans are issued to consumers regardless of whether they hold a clear title to their vehicle or not. While some companies hold the vehicles and titles until loans are paid, others hold only the title or just a signed contract. Currently, Arizona is part of 16 states that allow title lending. Locally, the maximum annual percentage rate (APR) is 204, with some states allowing as much as 300 percent.

“Worried about a financial emergency, consumers often fail to take the time to understand how auto title loans work,” said Matthew Fehling, BBB President/CEO. “Most don’t realize they will not be able to meet the terms of an auto title loan until after they’ve signed the contract, which often leads to loss of their vehicle.”

BBB Serving Central, Northern and Western Arizona received 63 complaints against the title loan industry in 2012, while 239 complaints were received nationwide.

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Although complaint numbers are low compared to other industries, consumers report patterns of confusion about repayment terms and issues relating to the contact of references listed on the application, which could be in violation of the [Fair Debt Collection Practices Act \(FDCPA\)](#).

To help consumers understand their rights when it comes to auto title loans, BBB provides a summary of a company's legal responsibilities according to the [Arizona Title Loan Association](#):

- **Provide the right to rescind in three days.** Consumers may change their minds within three days by notifying the lender in writing and returning the money, owing no fees if conducted within the allotted time.
- **Adhere to the Fair Debt Collection Practices Act (FDCPA)** by not harassing or intimidating consumers with illegal treats if they default on payment; this includes the contact of references. Consumers can report companies to the [Federal Trade Commission \(FTC\)](#) at www.ftc.gov.
- **Fully disclose the interest rate** and all interest, fees and costs associated with the loan, along with the exact amount offered at the time the borrower signs the contract.
- **Return the title promptly upon loan pay off**, without charging additional undisclosed fees.
- **Advertise truthfully** and advocate the responsible use of title loans for temporary needs.
- **Charge no more than the maximum finance rates** as allowed by Arizona state law; APR limit in Arizona is 204 percent.

BBB offers the following tips to help consumers make a smart decision about auto title loans:

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- **Start with trust.** Check out the company's [BBB Business Review](#) for its rating, history of complaints and other information. For a list of local BBB Accredited auto title loan companies, visit www.searchbbb.org.
- **Verify the company's license.** Auto title loans are regulated by state and federal laws. Locally, the [Arizona Department of Financial Institutions \(ADFI\)](#) licenses and regulates auto title loan companies. To verify the license of an Arizona auto title loan company, contact ADFI at 602-771-2800 or consumeraffairs@azdfi.gov.
- **Never pay an up-front fee.** If a lender asks for fees in cash before giving you any money, walk away — especially if it's an online lender asking for money via wire transfer as cash sent by wire is difficult to trace.
- **Limit the amount you borrow.** Only borrow what you can pay off with your next paycheck. Most companies allow you to “rollover” the balance for several weeks or months, but tack on costly fees. This can result in owing several times what you borrowed in the first place.
- **Read the fine print.** Pay close attention to fees and consequences of non-payment. Will the company allow you to make arrangements if you cannot pay? How quickly will the company repossess your car? For information on Arizona's vehicle repossession laws, refer to the [Arizona State Legislature](#).
- **Keep documentation.** Many consumers report receiving calls from collections agencies years after they paid off a loan. Some of these calls were simple errors; others were attempts by scammers to collect a debt that is not owed. Protect yourself by having documentation that all loans were paid in full.
- **Know where to turn.** If you feel a lender has committed fraud, taken advantage, or violated the Fair Debt Collection Practices Act, file a complaint with [BBB](#) at www.bbb.org/complaint, the [FTC](#) at

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www.ftccomplaintassistant.gov, and the [Arizona Attorney General](http://www.azag.gov/complaints/consumer) at www.azag.gov/complaints/consumer.

For more consumer tips you can trust, visit our News Center at www.arizona.bbb.org/bbb-news.

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