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A Larger and Longer Debt Trap?

ANALYSIS OF STATES' APR CAPS FOR A $10,000 5-YEAR INSTALLMENT LOAN

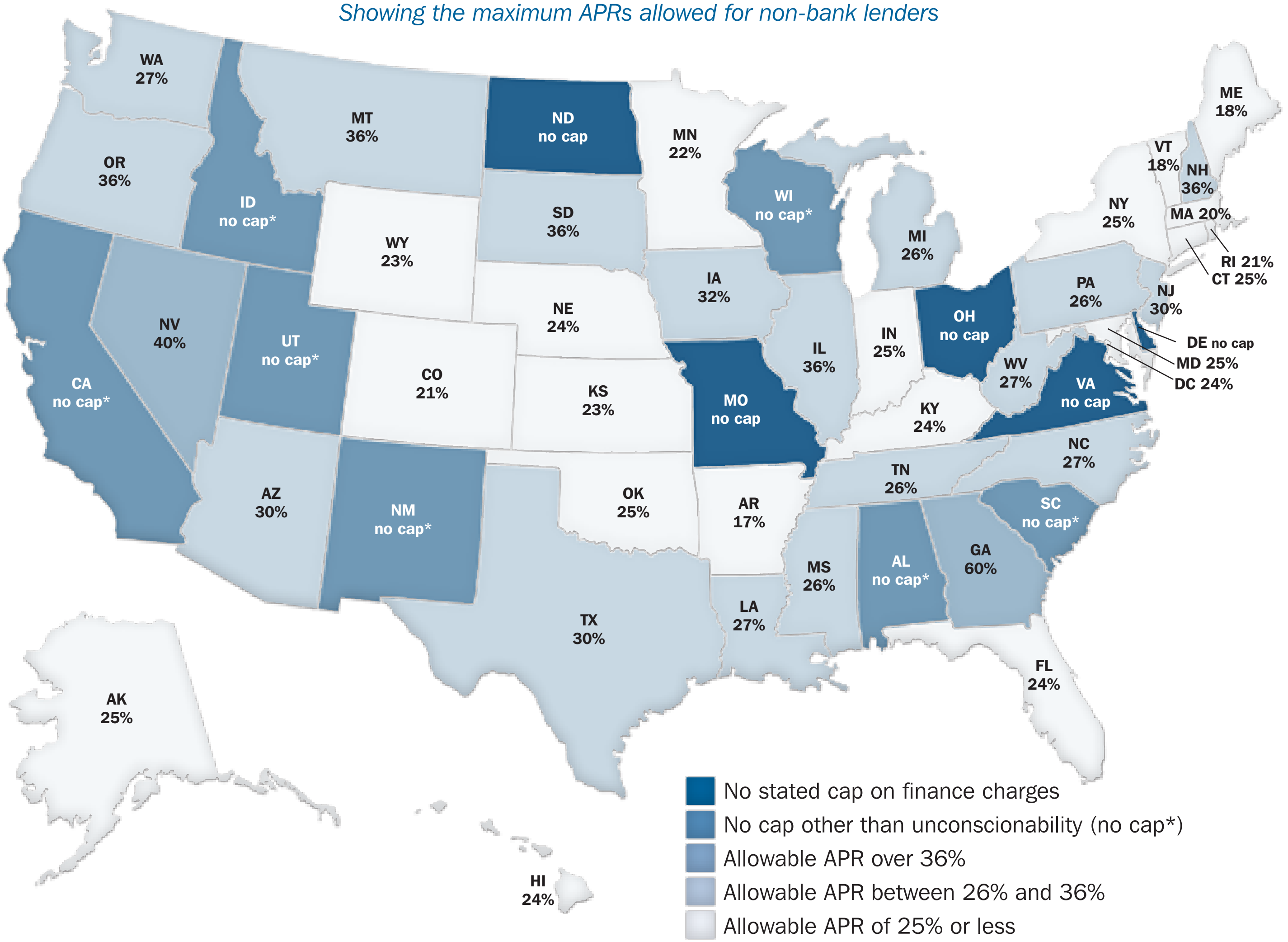
http://bit.ly/2QOp6AG

KEY FINDING

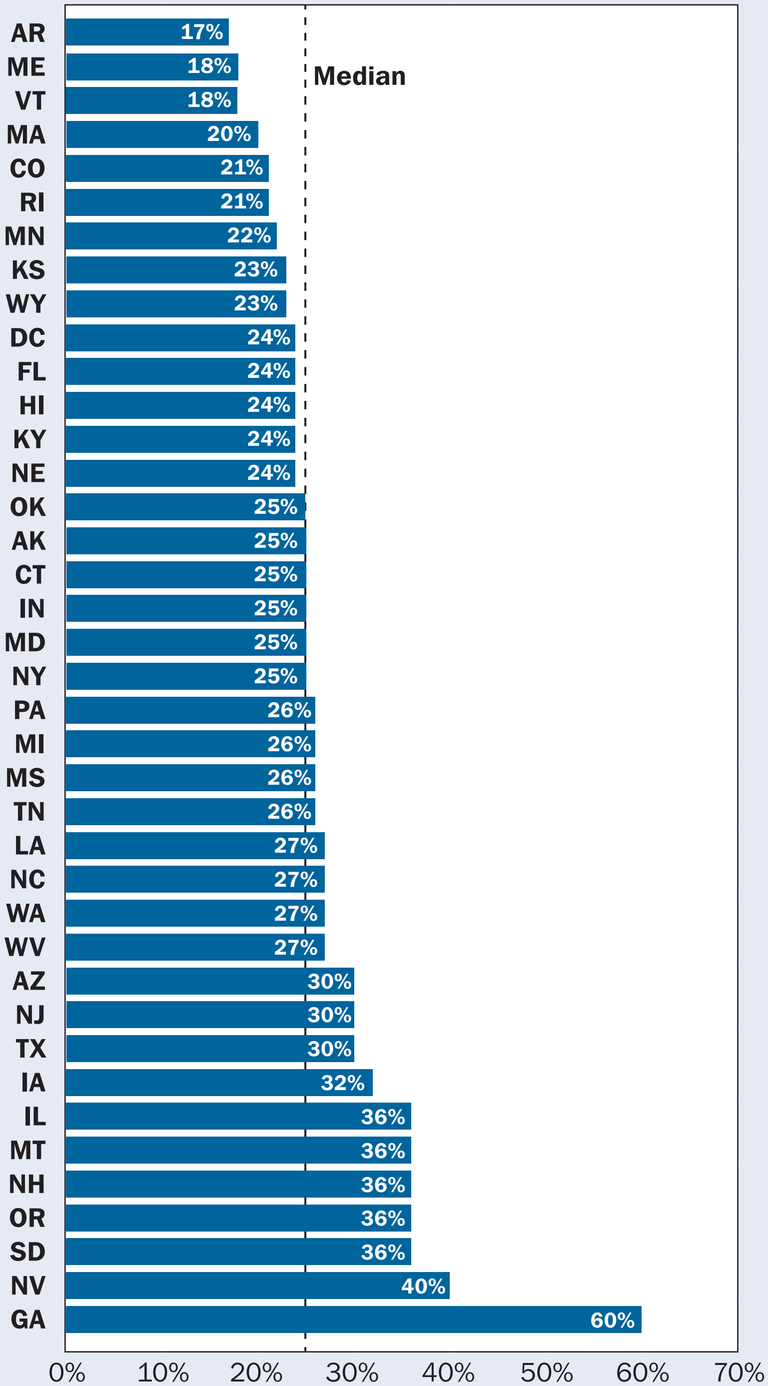
This National Consumer Law Center report finds that, for a $10,000 five-year loan, 39 states have annual percentage rates (APR) limits in place, at a median rate of 25%, protecting 236 million people. However, some of those caps are excessively high. And 12 states place no numerical cap on the APR, leaving 90 million people unprotected.

APRs Allowed for $10,000 Five-Year Loan by State

Showing the maximum APRs allowed for non-bank lenders



Maximum APRs in States with Caps for a $10,000 Five-Year Loan Showing Median APR Cap of 25%



KEY RECOMMENDATIONS

- **Limit APRs.** An APR cap is the single most effective step states can implement to deter abusive lending—protecting consumers from excessive costs and giving lenders an incentive to ensure ability to repay. An APR cap of about 25% is at the high end of what is reasonable for larger, longer-term loans such as a $10,000 five-year loan. States with caps of 25% or less should preserve their caps, states that have higher caps should reduce them, and states that do not have a numerical cap should impose one.
- **Ban or strictly limit junk fees for credit insurance and other add-on products.** States should place strict limits on add-on products and should require their cost to be included in the APR cap.
- **Ensure that the consumer can afford to repay the loan.** States should require lenders to meaningfully evaluate whether the consumer can afford to make all of the payments for the life of the loan, in light of both income and expenses, without re-borrowing.