



PREDATORY INSTALLMENT LENDING IN THE STATES

HOW WELL DO THE STATES PROTECT CONSUMERS
AGAINST HIGH-COST INSTALLMENT LOANS? **2025**



National
Consumer Law
Center
*Fighting Together
for Economic Justice*

ABOUT THE NATIONAL CONSUMER LAW CENTER

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services; and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state governments and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.

NCLC.ORG

© Copyright 2025, National Consumer Law Center, Inc.
All rights reserved.

ABOUT THE AUTHORS

Carolyn Carter is a senior attorney at the National Consumer Law Center (NCLC). She has specialized in consumer law issues for over 30 years. She was the 1992 recipient of NCLC's Vern Countryman Award. She is admitted to the Pennsylvania bar. From 2005 to 2007 she was a member of the Federal Reserve Board's Consumer Advisory Council. She is co-author of NCLC's [*Consumer Credit Regulation*](#), [*Unfair and Deceptive Acts and Practices*](#), and [*Collection Actions*](#) and is a contributor to a number of other NCLC treatises. She is a graduate of Brown University and Yale Law School.

Margot Saunders is a senior attorney at NCLC. She is a co-author of NCLC's [*Consumer Banking and Payments Law*](#) and the report [*Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default*](#), multiple other reports, and a contributing author to *Consumer Credit Regulation*. She is an expert in credit math, and graduated from Brandeis University and the University of North Carolina School of Law.

Lauren Saunders is Associate Director and Director of Federal Advocacy at NCLC and manages the Washington, D.C., office, where she directs NCLC's federal legislative and regulatory work. Lauren is a recognized expert in various areas, including small dollar loans, fintech credit and payments, credit cards, bank accounts, and consumer protection regulation. She is a co-author of [*Consumer Banking and Payments Law*](#) and [*Consumer Credit Regulation*](#), and has authored several reports and white papers. She is a graduate of Stanford University, Harvard Kennedy School, and Harvard Law School.

ACKNOWLEDGMENTS

This research was funded by the Annie E. Casey Foundation, and we thank it for its support; however, the findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of the Foundation. The authors thank NCLC colleagues Emily Green Caplan, Michelle Deakin, Ella Halpine, Anna Kowanko, Stephen Rouzer, Diane Thompson, and Odette Williamson for assistance.

PREDATORY INSTALLMENT LENDING IN THE STATES

HOW WELL DO THE STATES PROTECT CONSUMERS AGAINST HIGH-COST INSTALLMENT LOANS? (2025)

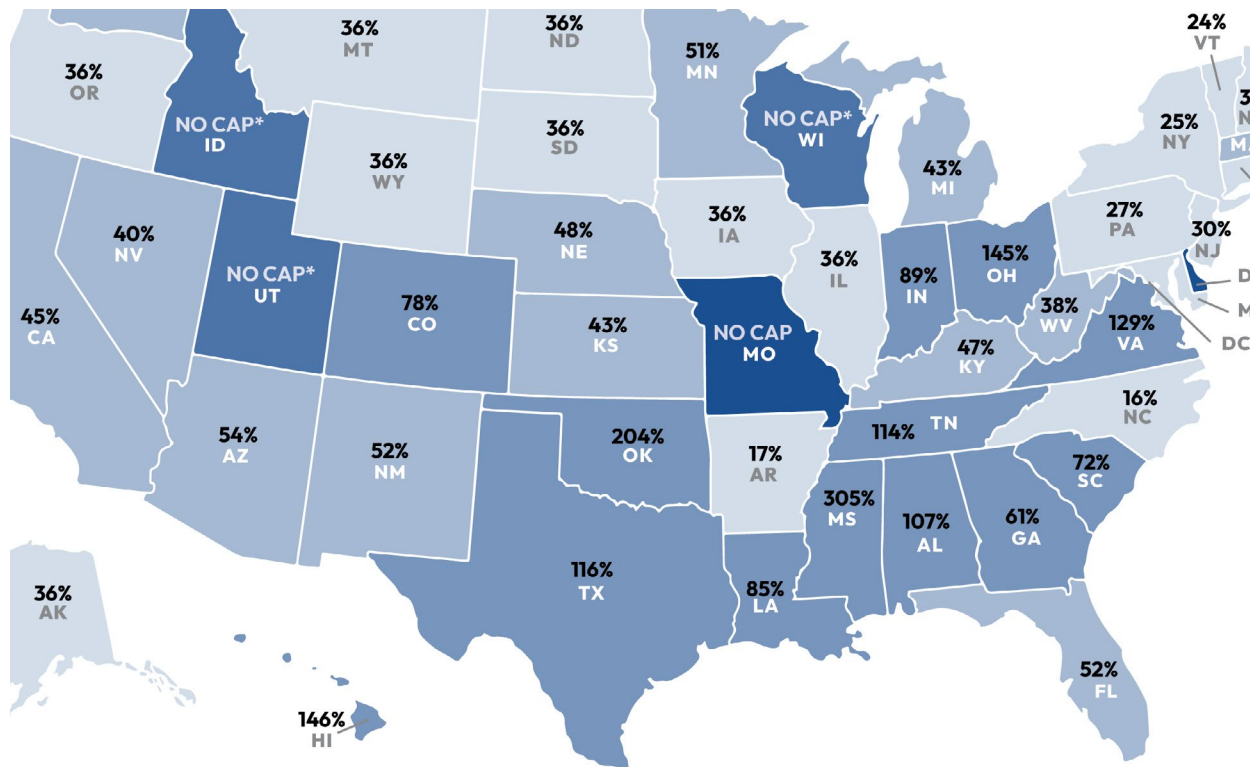
Introduction	2
MAP 1: <i>APRs Allowed for a Six-Month \$500 Installment Loan</i>	2
MAP 2: <i>APRs Allowed for a Two-Year \$2,000 Installment Loan</i>	3
Why States Should Cap Interest Rates and Fees	4
The APR is an Essential Standard for Measuring and Comparing the Cost of a Loan	5
Why a 36% Maximum for Small Loans, Lower for Larger Loans?	6
Recommendations: A 36% APR Cap for Small Loans, Lower for Larger Loans	7
Related Resources	9
Appendix A: Methodology	10
Appendix B: Changes in State Lending Laws	12
Appendix C: The State Lending Laws Addressed in This Report	15
Endnotes	22

INTRODUCTION

Caps on interest rates and junk fees are the primary vehicle by which states protect consumers from predatory lending. [Forty-five states and the District of Columbia](#) currently cap interest rates and loan fees for at least some consumer installment loans, depending on the size of the loan. However, interest rate caps vary greatly from state to state, some states allow lenders to pile on junk fees, and a few states do not cap interest rates at all. We recommend an airtight annual percentage rate (APR) cap of no more than 36% for small loans of up to \$1,000. Rate caps should be [significantly lower](#) for larger loans, as even a 36% rate cap can pile on thousands of dollars in interest.

Map 1: APRs Allowed for a Six-Month \$500 Installment Loan

This map shows the maximum APRs allowed by the states for closed-end installment loans (loans in which the amount borrowed and the repayment period are set at the outset) by licensed non-bank lenders.



caps APR between 16% and 36% (19 states and DC)

caps APR between 37% and 60% (13 states)

caps APR at more than 60% (13 states)

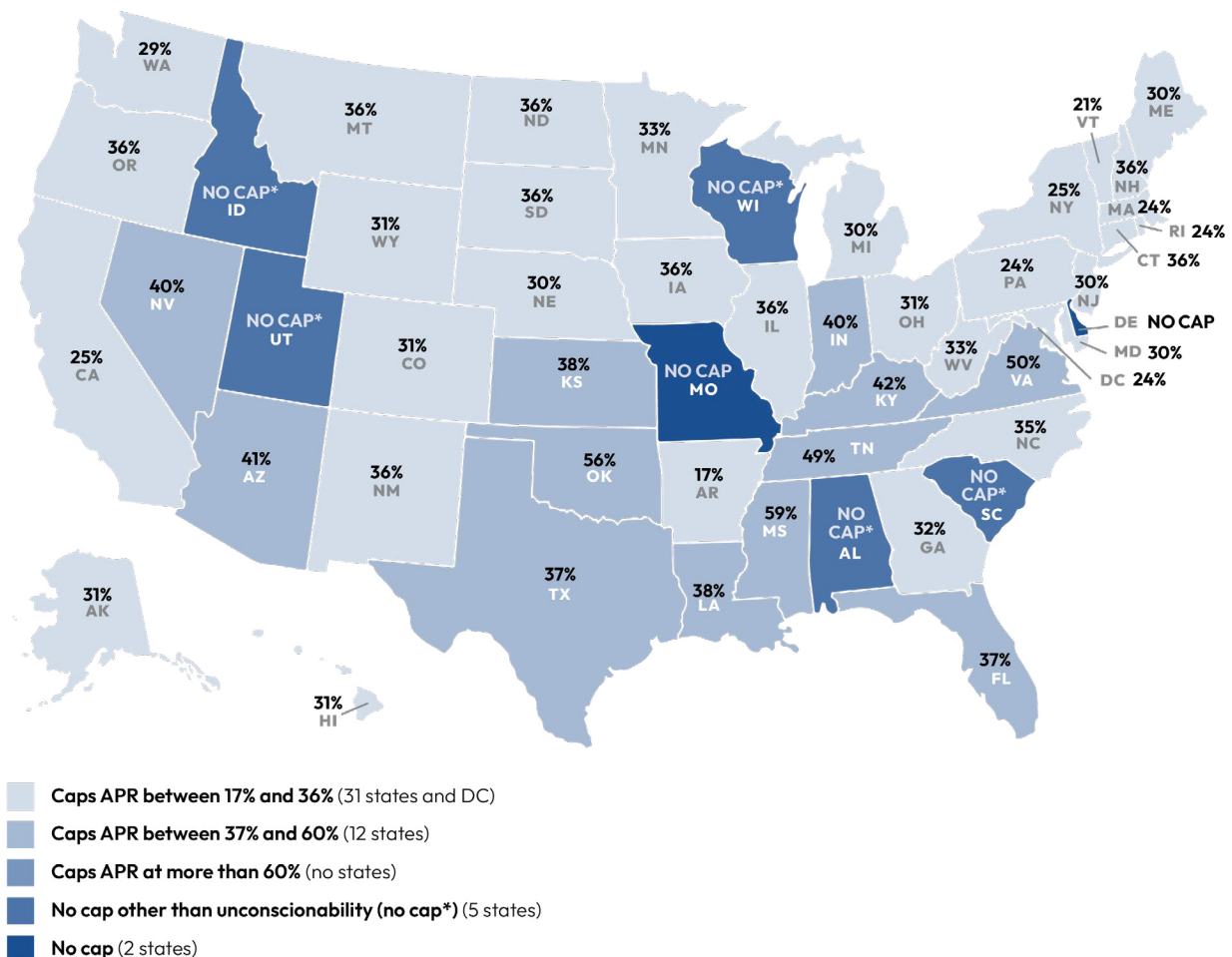
no cap other than unconscionability (no cap*) (3 states)

For a \$500, six-month installment loan, 45 states and DC cap rates, at a [median](#) of 39.5% APR.

- 19 states and the District of Columbia cap the annual percentage rate (APR) between 17% and 36%.
- 13 states cap the APR between 37% and 60%.
- 13 states cap the APR at more than 60%.
- Three states—Idaho, Utah, and Wisconsin—require only that the loan not be "[unconscionable](#)" (a legal principle that bans terms that shock the conscience).
- Two states—Delaware and Missouri—impose no cap at all.

Map 2: APRs Allowed for a Two-Year \$2,000 Installment Loan

This map shows the maximum APRs allowed by the states for closed-end installment loans by licensed non-bank lenders.



For a \$2,000, two-year installment loan, 43 states and DC cap rates, at a [median](#) of 34% APR.

- 31 states and the District of Columbia cap the APR between 17% and 36%.
- 11 states cap it between 37% and 60% APR.
- Five states—Alabama, Idaho, South Carolina, Utah, and Wisconsin—require only that the loan not be “[unconscionable](#).”
- Two states—Delaware and Missouri—impose no cap at all.

Details about our methodology can be found in [Appendix A](#), and citations to the state laws in [Appendix C](#).

WHY STATES SHOULD CAP INTEREST RATES AND FEES

Caps on interest rates and loan fees are the primary vehicle by which states protect consumers from predatory lending. In the absence of caps, exploitative lenders move into a state, overwhelming the responsible lenders and pushing abusive loan products that trap low-income consumers in never-ending debt.

“It was like I asked for help to dig out of this hole and just created a deeper hole for me to inhabit.”

[NPR interview](#) of Sarah Ahmed, who borrowed \$2,300 at 98% to rent an apartment and get her young son set up in an after-school program.

Interest rate caps are more than numbers: they are reflections of society’s collective judgment about moral and ethical behavior. Prohibitions on usury go back [millennia](#). Interest rate caps embody fundamental values.¹ Interest rate caps also reflect an assessment about the upper limits of sustainable lending that does not undermine individual or societal economic stability. When states eliminate high-cost loans by imposing rate caps, consumers generally agree that they are better off and express relief that the loans are no longer available.² Elimination of high-cost loans spurs an increase in affordable loans, benefiting all borrowers.³

Rate caps also encourage lenders to ensure that the borrower has the ability to repay the loan. Excessive interest rates enable lenders to profit from loans even if many borrowers eventually default.⁴ The lender has little incentive to ensure that each borrower can actually afford to repay the loan in full on its terms if the lender can be made whole even if the borrower defaults, or can recoup defaults from exorbitant rates on others.

High-cost loans, including high-cost installment loans, have a disproportionate impact on communities of color.⁵ Use of high-cost non-bank installment loans increased between 2021 and 2022 only for Black and Latino/Hispanic households, almost tripling for Black households.⁶ High-cost lenders have long targeted these communities.⁷ High-cost loans do not promote financial inclusion. Instead, they add to debt, increase financial struggles, drive borrowers out of the banking system, and exacerbate existing disparities.⁸

The APR is an Essential Standard for Measuring and Comparing the Cost of a Loan

The rates listed above are the annual percentage rates (APRs) as calculated under the Truth in Lending Act (TILA) for installment loans. The APR is a critical way to measure and compare the cost of a loan, because it takes into account both interest and fees, and the length of the repayment period. Otherwise, lenders could pile junk fees on top of interest without reflecting the full cost of the loan in the APR.

For example, a \$500 line of credit offered by a predatory lender in Pennsylvania in 2006 charged just 5.98% interest, but required a \$149 junk fee every month, producing an actual APR of 431% if repaid over six months.

The APR provides a common, apples-to-apples comparison of the cost of two different loans, even if they have different rate and fee structures or are used to borrow different amounts for different periods of time.⁹ For example, a payday loan at 360% APR is 10 times more expensive than a 36% APR credit card would be if both were used to borrow \$500 for 14 days.

The APR is a rate that measures how expensive a loan is whether the term is short or long, just like miles per hour is a useful measure of speed even if you are traveling for only a few minutes, not a full hour. Some lenders have diverted attention from the APR to focus instead on the dollar cost. But \$15 for a \$100 loan is a lot more expensive if you have the loan for only two weeks and not a full year – just as a \$100 charge for a taxi ride would be far more costly for a one-block trip than for a 20-mile trip.

The Military Lending Act (MLA), which places a 36% cap on loans to members of the military and their families, calculates the cap as a “military APR” (MAPR). The MAPR takes into account not just interest and fees but also credit insurance charges and other add-on charges, so more fully reflects the cost of credit. The MAPR is also far more accurate than the TILA APR for measuring the cost of open-end credit such as lines of credit, because it includes fees that are excluded from the TILA APR for open-end credit. Because of this, the MAPR is the gold standard for measuring the cost of a loan.¹⁰ However, because of the

difficulty of identifying, in the abstract, the cost of credit insurance and other add-ons allowed by the various state laws (as opposed to calculating the MAPR for a given loan), we have used the TILA APR rather than the MAPR in the rates displayed above.

Why a 36% Maximum for Small Loans, Lower for Larger Loans?

The 36% rate cap is a widely accepted measure of the top acceptable rate for a small dollar loan, and the rate has been broadly supported by both lenders and the general public as the maximum cost for small loans.¹¹ But 36% is still a very high rate. States that have lower rates should not raise their rates to that level, and states that allow 36% for all loans should lower their rates for larger loans.

For loans in the thousands of dollars, 36% is far too high. Interest increases dramatically with larger, longer loans, even if the rates are not in the triple digits.¹²

Many states recognize the need for lower rates on larger loans by adopting tiered interest rate caps. For example, Wyoming allows 36% on the first \$1,000 and 21% on the remainder, with no additional fees.¹³ For a five-year \$10,000 loan, the borrower will pay \$6,972 in interest, and the borrower's monthly payment will be \$282.86. If the state allowed 36% on the whole amount, the same loan would cost the borrower \$11,680 in interest—\$4,708 more.

Accordingly, a tiered structure that lowers rates as loans get bigger is appropriate.

SIGNIFICANT CHANGES IN THE STATES SINCE MID-2024: INCREASED APRs IN SEVERAL STATES

Since mid-2024, several states that already allow high-cost installment loans have made their laws even more predatory-friendly. **Missouri** added a new fee that lenders can charge, **Mississippi** extended the sunset date of a law that allows APRs over 300% and allowed that rate to apply to a wider range of loans, and **Tennessee** increased both the interest rate and the fees it allows a lender to charge. In addition, **Oklahoma's** and **Texas's** APR caps keep creeping upward due to annual adjustments of these states' already high fees and the loan sizes for which higher interest is allowed.

Details about the new laws:

 **Missouri** added another fee to the list of add-on fees a lender is allowed to charge: a fee equal to the cost of a credit report. 2024 Mo. Leg. Serv. S.B. 1359. Since Missouri

places no limit on the amount of interest a lender can charge for an installment loan, allowing this new fee is unlikely to have any significant effect.

 **Mississippi's** highly abusive Credit Availability Act, which allows APRs over 300% on installment loans, was scheduled to sunset in 2026, but the state extended the sunset date to July 1, 2030. The same bill increased the maximum amount of a loan under this law from \$2,500 to \$3,250, and provided that it would be adjusted annually for inflation. 2025 Miss. Laws Chapter 367.

 **Oklahoma** announced inflation adjustments for a “closing fee,” increasing it from \$184.64 to \$190.41, and for monthly fees allowed under one of its calculation methods. As a result, the maximum APR for a \$2,000 2-year loan increased from 54% to 56%.

 **Tennessee** increased a maximum interest rate from 30% to 36%, and allowed this higher rate to be applied to all loans of \$100 or more, not just loans between \$100 and \$5,000. It also increased an origination fee from 10% to 12.5% of the principal. 2025 Tenn. Laws Pub. Ch. 70 (S.B. 694). As a result, the maximum APR for a \$500 6-month loan increased from an already high 106% to 114%, and the maximum APR for a \$2,000 2-year loan increased from 43% to 49%.

 The **Texas** Finance Commission adjusted a number of fees upward for inflation, resulting in higher APRs for loans of various sizes (but not the \$500 and \$2,000 loans addressed by this report).

[Appendix B](#) summarizes earlier changes in state lending laws, going back to 2017.

RECOMMENDATIONS: A 36% APR CAP FOR SMALL LOANS, LOWER FOR LARGER LOANS

To protect consumers from high-cost lending, states should:

- **Cap APRs at no more than 36%** for small loans, such as those of \$1,000 or less, with significantly **lower rates** for larger loans.
- **Prohibit loan fees or strictly limit them** to prevent fees from being used to undermine the interest rate cap and acting as an incentive for loan flipping.
- **Include all payments in the APR calculation, whether or not they are deemed “voluntary.”** Some lenders have tried to disguise fees as purportedly voluntary “tips,” “expedite fees,” or donations.

- **Prevent loopholes for open-end credit.** Rate caps on installment loans will be ineffective if lenders can evade them through open-end lines of credit with low interest rates but high fees.
- **Ban the sale of credit insurance and other add-on products**, which primarily benefit the lender and increase the cost of credit.
- **Examine consumer lending bills carefully.** Predatory lenders often propose bills that obscure the true interest rate, for example, by presenting it as 24% per year plus 7/10ths of a percent per day instead of 279%. Or the bill may list the per-month rate rather than the annual rate. Focus on the full annual cost and calculate the APR, including all interest, all fees, and all other charges. Reject the bill if it is over 36% (or if it applies a 36% APR to more than the very smallest loans).
- **Avoid loopholes and include anti-evasion provisions** to prevent lenders from laundering their loans through out-of-state banks to evade state rate caps or disguising their loans as sales, “earned wage access,” or other devices.

In addition, states should make sure that their loan laws address other potential abuses. States should:

- **Require lenders to evaluate the borrower’s ability to repay** any credit that is extended.
- **Prohibit mechanisms**, such as security interests in household goods and post-dated checks, **which coerce repayment** of unaffordable loans.
- **Require proportionate rebates** of all up-front loan charges when loans are refinanced or paid off early.
- **Limit balloon payments, interest-only payments, and excessively long loan terms.** An outer limit of 24 months for a loan of \$1,000 or less and 12 months for a loan of \$500 or less might be appropriate, with shorter terms for higher-rate loans.
- **Employ robust licensing and reporting requirements**, including default and late payment rates, for lenders.
- **Provide strong enforcement mechanisms**, including making unlicensed or unlawful loans void and uncollectible, and allowing a private right of action with attorneys’ fees.
- **Tighten up other lending laws**, including credit services organization laws, to prevent evasions.

See NCLC’s 2015 [report](#) on high-cost small loans for more details on these issues and on issues that arise for open-end credit. In addition, see our [Rent-a-Bank Lending](#) and [Fintech & Disguised Credit](#) pages for more information about the latest issues.

In the absence of rate limits at the federal level, state interest and fee caps are the primary bulwark against predatory lending. By following these guidelines, states can ensure that their laws are effective at protecting consumers.

RELATED RESOURCES

- [NCLC's High-Cost Loans online content](#)
- **Issue Brief:** [After Payday Loans: Consumers Find Better Ways to Cope with Financial Challenges](#) (Mar. 1, 2022)
- **Issue Brief:** [Why Cap Interest Rates at 36%?](#) (Aug. 2021)
- **Report:** [Predatory Installment Lending in the States: How Well Do the States Protect Consumers Against High-Cost Installment Loans?](#) (Nov. 2024)
- **Report:** [Larger Loans Need Lower Rates: A 50-State Survey of the APRs Allowed for a \\$10,000 Loan](#) (Mar. 6, 2024)
- **Issue Brief:** [Comparing APRs of Small Loan Alternatives](#) (Jan. 2025)
- **Report:** [Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default](#) (July 2016)
- **Report:** [Installment Loans: Will States Protect Borrowers from a New Wave of Predatory Lending?](#) (July 2015)
- [Consumer Credit Regulation](#) (see chapters 10 & 11)
- [Surviving Debt](#)

APPENDIX A

Methodology

This report compares the maximum APR permitted for two sample installment loans made by non-bank lenders under the laws of the 50 states and the District of Columbia. The purpose of an APR is to express the full cost of a loan on an annual basis, so that the costs of loans of different amounts, different lengths, and different mixtures of interest and fees can be compared to each other.¹⁴

The APR is especially important for revealing the full cost of a loan that charges fees in addition to a periodic interest rate. For example, Arizona allows 36% interest on a \$500 six-month loan, but also allows an origination fee of 5% of the principal. Taking both the interest and this origination fee into account, the APR is 54%. If only the interest were allowed, the APR would be 36%.

A number of states have more than one statute under which our two sample loans—a \$500 six-month loan and a \$2,000 two-year loan—can be made. If a state has several statutes, or its statute allows several different rates, we have used the highest rate allowed. [Appendix C](#) gives citations and some basic details for the statutes under which we made our calculations.

In many states, the allowed rates produce a higher APR for the \$500 loan than for the \$2,000 loan. This occurs for two reasons. First, some states impose lower rate caps on larger loans. Second, in states where lenders are permitted to charge a fixed fee on top of the interest rate, that fee will have a greater impact on a smaller loan than a larger one. For example, an additional \$50 charged on a \$500 loan will have more of an impact on the APR than the same \$50 fee will have on a \$2,000 loan.

Many state lending laws have ambiguities that affect the calculation of the APR. For example, a lending law may allow a lender to charge an origination fee without specifying whether it can also charge interest on that fee. In the absence of clear statutory language or regulatory guidance, in our calculations we treated origination fees as amounts that can be added to the principal and on which interest can be charged. For other ambiguities, we have used our best judgment to find an interpretation that seems consistent with the statutory language and the intent of the statute, subject to correction if we are able to succeed in getting clarification from regulators. Policymakers should consider issuing regulations or other guidance to close loopholes created by these ambiguities that high-cost lenders could exploit.

The rates allowed for unlicensed lenders are generally considerably lower than those allowed for licensed lenders. Many states exempt banks and similar financial institutions from the interest rate limits addressed in this report. States also often have different limits for short-term loans and open-end credit.

A thorough discussion of credit math calculations under state lending laws may be found in National Consumer Law Center, [Consumer Credit Regulation Ch. 6](#) (4th ed. 2025), updated at www.nclc.org/library.

APPENDIX B

Changes in State Lending Laws: 2017 to Mid-2024

Major changes in the states from 2017 to mid-2024 are summarized in the table below.

Table: Significant State Changes from 2017 to Mid-2024

STATE	CHANGES
Alabama	Authorized another junk fee: a closing fee of 4% or \$50, whichever is less, for loans of up to \$1,500. (2022 H.B. 335).
California	Capped APRs for loans between \$2,500 and \$10,000 (previously there was no cap); APR for loan of \$2,600 is capped at 41%. (2019 A.B. 539).
Colorado	2023: Reduced the allowable finance charges for small short-term loans, and opted out of a federal law that allowed certain out-of-state banks to ignore Colorado's interest rate caps when making loans in Colorado. (2023 H.B. 23-1229). 2019: Capped APR for payday installment loans at 36%. (2019 Prop. 111).
Connecticut	Strengthened the provision that the state's 36% APR cap encompasses all amounts a consumer pays in connection with the loan, and tightened restrictions on rent-a-bank lending. (2023 S.B. 1033).
Florida	Weakened its protections against high-cost lending by increasing its top rate to 36% and allowing that rate to be charged on the first \$10,000 of a loan. (2024 Fla. Sess. Law Serv. Ch.I 2024-276 (H.B. 1347)).
Hawaii	Replaced payday loan law with a law allowing larger and longer high-rate loans, e.g. 146% on six-month \$500 loan. (2021 H.B. 1192).
Illinois	Capped APR for all non-bank loans at 36%, calculated using the Military Lending Act methodology. (2020 S.B. 1792).
Indiana	Increased a \$50 junk fee to \$75-\$200, depending on the size of the loan (2020 S.B. 395)
Iowa	Increased allowable APR for \$2,000 two-year loan from 31% to 36% in 2017 by revising a state regulation, Iowa Admin. Code r. 187-15.13(3).
Kansas	Weakened its protections against high-cost lending by increasing the interest rates it allows from 36% on the first \$860 of a loan and 21% on the remainder to 36% on the entire loan, effective January 1, 2025. (2024 Kan. Laws Ch. 6 (H.B. 2247)).
Kentucky	Abolished high-cost auto title loans by repealing the statute that allowed them. (2024 Ky. Laws Ch. 152 (HB 726)).
Maine	Added strong anti-evasion provision, targeted at rent-a-bank lending. (2021 L.D. 522 (S.P. 205)).

STATE	CHANGES
Minnesota	Added strong protections against evasions of its lending laws, and imposed a 50% APR cap for certain small short-term loans. (2023 S.F. No. 2744).
Mississippi	2024: Amended the state Consumer Alternative Installment Loan Act to allow its abusive 59% APR to apply to larger loans—loans up to \$5,100 (to be increased annually for inflation) instead of just loans for \$4,000 or less. (2024 Miss. Laws S.B. 2543). 2021: Extended sunset date of its “Credit Availability Act,” which allows highly abusive installment lending, with interest rates of 300% on four- to 12-month loans of up to \$2,500. (2021 H.B. 1075).
New Mexico	2022: Capped interest on installment loans at 36%, plus, for loans of \$500 or less, a fee of 5% of the loan amount. (2022 H.B. 132). 2017: Capped APRs for consumer loans of \$5,000 or less at 175%. (2017 H.B. 347). Formerly, there was no cap.
North Carolina	Weakened its protections against high-cost lending by increasing both the maximum interest rate (from 30% to 33%) and a junk “processing” fee (from \$25 to \$30) for loans of 12 months or more for up to \$12,000. (2023 S.B. 331).
North Dakota	Imposed a 36% APR cap on all non-bank loans in the state. (2021 S.B. 2013).
Ohio	Closed loopholes for fees that made rate caps ineffective, although the law still allows very high rates for loans of \$1,000 or less. (2017 Sub. H.B. 199).
Oklahoma	2023: Increased the maximum interest rate for consumer loans under one of its lending laws from 32% to 32% plus the federal funds rate. (2023 Okla. Sess. Law Serv. Ch. 67 (S.B. 794)). 2022: Expanded one of its high-cost loan laws to apply to installment loans of up to \$3,450. Formerly, it applied only to loans of \$620 or less. (2022 Okla. Sess. Law Serv. Ch. 207 (S.B. 1687)). 2021: Raised allowable interest rate from 27% to 32% on the installment loans that this report covers, and allowed non-bank lenders to add a junk fee of \$28.85 (increased to \$184.64 in 2024 under a provision requiring an inflation adjustment with 1973 as the base year). (2021 Okla. Sess. Law Serv. Ch. 142 (S.B. 796)). 2019: Increased allowable APR for \$500 six-month loan from 108% to 204%. (2019 Okla. Sess. Law Serv. Ch. 89 (S.B. 720)).
Tennessee	Increased junk fees that non-bank lenders can charge. (2021 S.B. 344).
Virginia	Closed a loophole that payday lenders were using to evade the state’s rate caps, but greatly increased the caps for non-bank installment loans. (2020 H.B. 789).

STATE	CHANGES
Washington	Substantially strengthened its protections against evasions of its consumer loan laws by making it even clearer that the state's 36% APR cap encompasses all amounts a consumer pays in connection with a loan, and tightening restrictions on rent-a-bank lending. (2024 Wash. Legis. Serv. Ch. 249 (S.S.B. 6025)).
Wyoming	Repealed the distinction between "supervised loans" and other loans, thereby allowing higher interest rates to be charged on more loans, without special protections. (2021 H.B. 8).

APPENDIX C

The State Lending Laws Addressed in This Report

This report shows the maximum APRs allowed by state non-bank lending laws for two sample unsecured closed-end loans made by non-banks—a \$500, six-month loan and a \$2,000 two-year loan. In a number of states, the lending law allows a lender to choose from more than one method to calculate the maximum APR it can charge, or the state has more than one statute under which the sample loans can be made. If a state has several statutes, or its statute allows several different rates, we have used the highest rate allowed. This Appendix gives citations and some basic details for the statutes under which we made our calculations.

Alabama: Alabama's laws (the Small Loan Act and the Consumer Credit Act) allow a lender a choice of four ways to calculate the maximum finance charge for a loan. For a \$500 6-month loan, the calculation method that produces the highest APR is one of the methods allowed by the Small Loan Act: 10% of the principal; plus \$16 per month of the loan; plus a "closing fee" of 4% of the loan amount or \$50, whichever is less. Ala. Code § 5-18-15(m). Alabama places no cap other than unconscionability on a two-year \$2,000 loan. Ala. Code § 5-19-3(e).

Alaska: Alaska's Small Loan Act allows interest of 3% per month on the balance up to \$850 and 2% per month on the remainder up to \$10,000. Alaska Stat. § 06.20.230(a). The state also has an Installment Loan Act, but the maximum APRs it allows are lower.

Arizona: Arizona's Consumer Lenders Act allows 36% on the first \$3,000 and 24% on the remainder, plus a fee of 5% of the principal, capped at \$150. Ariz. Rev. Stat. §§ 6-632(A), 6-635(A)(4).

Arkansas: The Arkansas Constitution caps interest rates at 17%.

California: California's lending laws allow a licensed non-bank lender to charge 2.5% per month on the first \$225; 2% per month on the amount over \$225 but no more than \$900; 1.5% per month on the amount over \$900 but no more than \$1,650; and 1% per month on the remainder. Cal. Fin. Code §§ 22303, 22305. California also allows two other methods of calculation, but they produce a lower allowable APR.

Colorado: Colorado's Consumer Credit Code and its Deferred Deposit Loan Act allow a lender a choice of five ways to calculate the maximum finance charge for a \$500 6-month loan. One of the methods under the Consumer Credit Code, allowing a finance charge of 8%

of the amount financed plus \$11.50 for each month in the loan term, produces the highest allowable APR for this loan. Colo. Rev. Stat. § 5-2-214(1), (2). For a two-year \$2,000 loan, three calculation methods are allowed by the Consumer Credit Code. The one that allows the highest APR is 36% on the first \$1,000, 21% on the amount over \$1,000 up to \$3000, and 15% on the remainder. Colo. Rev. Stat. § 5-2-201(2).

Connecticut: Connecticut caps the APR at 36% for both of our sample loans. Notably, the state requires the calculation to include all fees to be included in the calculation, including fees for ancillary products and so-called voluntary fees—thereby preventing lenders from slipping junk fees into a loan in addition to interest. Conn. Gen. Stat. §§ 36a-555(2), 36a-558.

Delaware: Delaware places no cap on the APR. Del. Code Ann. tit. 5, §§ 2229, 2237.

District of Columbia: The District caps the APR at 24% for both sample loans. D.C. Code §§ 26-905, 28-3301(a).

Florida: For loans up to \$25,000, Florida's Consumer Finance Act allows a lender to charge 36% on the first \$10,000, 30% on the next \$10,000, and 24% on the amount over \$20,000, plus a \$25 credit investigation fee. Fla Stat. § 516.031(1), (3)(a)(1).

Georgia: Georgia's Installment Loan Act allows lenders to use the archaic "discount" or "add-on" methods to calculate the maximum amount they can charge: 10% discount interest if the loan is for eighteen months or less; otherwise, 10% add-on interest. In addition, the lender can charge a loan fee of 8% of the first \$600 of the face amount of the contract plus 4% of the excess. Ga. Code Ann. § 7-3-11(1), (2). Georgia does not, however, allow these charges to exceed an interest rate of 60%. Ga. Code Ann. § 7-4-18. In addition, the lender can charge \$3 for each month of the loan contract. Ga. Code Ann. § 7-3-11(5).

Hawaii: Hawaii's Financial Services Loan Companies Law and its Installment Loan Act give lenders a choice of three ways to calculate the maximum APR for a 6-month \$500 loan. The method that produces the highest APR allows 36% interest plus \$30 per month of the loan. The \$30 fees are not to be added to the principal for purposes of computing the 36% interest. In addition, the statute provides that the 36% interest plus the monthly fees cannot exceed 50% of the loan principal. This complicated formula produces triple-digit APRs for a 6-month \$500 loan. Haw. Rev. Stat. §§ 480J-2, 480J-4. Hawaii's Financial Services Loan Companies Law allows lenders a choice of two methods to compute the maximum APR allowed for a 2-year \$2,000 loan. The one that produces the highest APR uses the archaic "discount" calculation method: 14% discount interest. Haw. Rev. Stat. §§ 412:9-301, 412:9-302.

Idaho: Idaho places no cap other than unconscionability on the interest rate a lender may charge. Idaho Code §§ 28-42-201(1), 28-45-106.

Illinois: Illinois's Predatory Loan Prevention Act caps the APR for all consumer loans at 36%. Notably, the state requires the calculation to include all fees in the calculation, including fees for ancillary products and so-called voluntary fees—thereby preventing lenders from slipping junk fees into a loan in addition to interest. 815 Ill. Comp. Stat. § 123/15-5-5.

Indiana: Indiana's Consumer Credit Code allows a lender to charge 36% on the first \$2,600 (adjusted for inflation from \$2,000), 21% on the next \$2,600, and 15% on the remainder. In addition, the lender is allowed to charge a loan fee, varying from \$75 for loans of \$2,600 or less to \$200 for loans over \$5,200 (adjusted for inflation from \$4,000). Ind. Code §§ 24-4.5-3-201, 24-4.5-3-508.

Iowa: Iowa has three different non-bank lending laws, each authorizing different rate calculations: the Regulated Loan Act, the Industrial Loan Law, and the Consumer Credit Code. The first of these allows the highest maximum APR for our two sample loans: 36% on the first \$3,000; 24% on the amount exceeding \$3,000 but not exceeding \$8,400; and 18% on the remainder up to \$10,000. Iowa Admin. Code r. 187-15.13(3).

Kansas: Kansas' Consumer Credit Code allows 36% interest plus a fee of 2% of the amount financed or \$300, whichever is less. Kan. Stat. Ann. § 16a-2-401(2), (4).

Kentucky: Kentucky allows a lender to charge 36% interest, plus a “loan processing fee” of 5% of the principal or \$150, whichever is less, on a loan up to \$5,000. Ky. Rev. Stat. Ann. §§ 286.4-530, 286.4-533(4).

Louisiana: Louisiana's Consumer Credit law allows 36% interest per year on the first \$1,400, 27% on the remainder up to \$4,000, 24% on the amount exceeding \$4,000 but not exceeding \$7,000, and 21% on the remainder, plus a \$50 origination fee. La. Stat Ann. §§ 9:3519, 9:3530.

Maine: For loans up to \$8,000, Maine's Consumer Credit Code allows 30% per year on the first \$2,000, 24% on the next \$2,000, and 18% on the remainder. Me. Stat. tit. 9-A, § 2-401(2).

Maryland: For a loan of \$2,000 or less, Maryland's Consumer Loans—Credit Provisions law allows 33% interest on the first \$1,000 and 24% on the rest. Md. Code, Com. Law § 12-306(a)(6).

Massachusetts: For a loan of \$6,000 or less, Massachusetts allows interest of 23%, plus a \$20 fee. Mass. Gen. Laws Ch. 140, § 100; 209 Mass. Code Regs. § 26.01(1)(a).

Michigan: Michigan's Regulatory Loan Act allows interest of 25% plus a "loan processing fee" of 5% of the principal, up to \$400. Mich. Comp. Laws §§ 493.13, 445.1854. A second statute, the Credit Reform Act, allows the same 25% interest but the only fee it allows is limited to 2% of the principal. Mich. Comp. Laws §§ 445.1854, 445.1856(1)(a).

Minnesota: Minnesota allows lenders to choose between two methods of calculating the maximum allowable interest: either tiered rates of 33% on the first \$1,425 and 19% on the remainder, or 21.75% on the full amount of the loan. Minn. Stat. § 56.131 subdiv. 1(a) (incorporating § 47.59). It also allows lenders to charge a \$25 "administrative" fee. Minn. Stat. § 56.131 subdiv. 2(e) (incorporating § 47.59 subdiv. 6(d)). The state also has a Short-Term Loans Act that allows certain loans of up to \$1,300 to carry APRs of 50%, but this is slightly lower than the APR calculated under its more general law for a 6-month \$500 loan. Minn. Stat. § 47.601 subdiv. 2(e).

Mississippi: Mississippi's Credit Availability Act and its Consumer Alternative Installment Loan Act authorize highly abusive lending. The first allows 25% interest per month (300% per year), plus a fee of 1% of the loan amount or \$5, whichever is greater, on loans up to \$3,250 (adjusted annually for inflation) that are payable over four to twelve months. Miss. Code Ann. § 75-67-619. The second allows an APR of 59% on loans up to \$5,220 (adjusted annually for inflation) that are payable over at least 272 days. Miss. Code Ann. § 75-67-181. Mississippi's other two non-bank lending laws, the Small Loan Regulatory Law and the Installment Loans law, place lower limits on APRs.

Missouri: Missouri places no cap on the APR. Mo. Rev. Stat. § 408.100.

Montana: Montana caps the APR at 36%. Mont. Code Ann. § 32-5-301(1).

Nebraska: Nebraska allows 24% on the first \$1,000 of the principal, and 21% on the remainder. In addition, the lender can charge a fee of 7% of the first \$2,000 of the original principal and 5% of the remainder, or \$500, whichever is less. Neb. Rev. Stat. § 45-1024(1), (5).

Nevada: Through a complicated chain of statutory provisions, Nevada imposes a 40% cap on the interest rate for a loan longer than 90 days. Nev. Rev. Stat. §§ 604A.400, 604A.0703.

New Hampshire: New Hampshire limits the interest rate on loans of \$10,000 or less to 36%. N.H. Rev. Stat. Ann. § 399-A:16(I). The statute allows one annual fee of up to \$100

and one annual participation fee of up to \$100 to be excluded from the calculation of the statutory 36% APR cap. However, § 399-A:15(XI) bars these fees for closed-end credit, so it appears that this provision is not relevant for the sample closed-end loans addressed by this report.

New Jersey: New Jersey's criminal usury statute applies to non-bank loans and limits APRs to 30%. N.J. Stat. Ann. § 2C:21-19.

New Mexico: New Mexico's Small Loan Act allows 36% interest (but if the prime rate exceeds 10% for three consecutive months lenders are allowed a proportionate increase). For loans of \$500 or less, it also allows a fee of 5% of the principal. N.M. Stat. Ann. § 58-15-17.

New York: New York's criminal usury statute applies to non-bank loans and limits APRs to 25%. N.Y. Penal Law § 190.40.

North Carolina: For a loan up to \$12,000, North Carolina's Consumer Finance Act allows lenders to charge interest of 33% on the first \$4,000, 24% on the next \$4,000, and 18% on the remainder. In addition, it allows a \$30 "processing fee" for a loan up to \$3,000. N.C. Gen. Stat. § 53-176(a), (b). North Carolina's more general lending law, N.C. Gen. Stat. § 24-1.1, places a lower cap on the interest rate.

North Dakota: North Dakota's Money Brokers law limits lenders to an annual rate of 36%, including all charges and fees necessary for the extension of credit incurred at the time of origination. N.D. Cent. Code § 13-04.1-09.3(1).

Ohio: Ohio has four consumer lending laws, governing loans of varying amounts and lengths, each with its own caps on interest rates and fees. A lender can make a 6-month \$500 loan under either the Short-Term Loan Act, which applies to loans of up to \$1,000 with a term of no more than one year, or the Consumer Installment Loan Act, which applies to loans for six months or more. The former allows the higher APR: interest of 28% plus a monthly "maintenance fee" of 10% of the originally contracted loan amount or \$30, whichever is less, plus, for loans of \$500 or more, a loan origination charge of 2% of the originally contracted amount. Ohio Rev. Code § 1321.40. A 2-year \$2,000 loan can be made under the Small Loan Act, the Consumer Installment Loan Act, or the General Loan Law. The third of these allows the highest APR: interest of 25% plus a \$100 origination fee. Ohio Rev. Code §§ 1321.57(A), (I), 1321.571.

Oklahoma: Oklahoma's Small Lenders Act allows lenders to charge a highly abusive 17% per month (204% per year) on loans up to \$1,824.60 (adjusted for inflation from \$1,500) that

are payable over up to 12 months. Okla. Stat. tit. 59, § 3150.10(B). This law allows a higher rate for a 6-month \$500 loan than the state's more general lending law, the Consumer Credit Code. For a 2-year \$2,000 loan, that Code allows lenders to charge 10% of the principal plus \$48.80 for each month in the loan term (or an alternate rate that produces a lower APR). Okla. Stat. tit. 14A, § 3-508B(1).

Oregon: Oregon allows lenders to charge the greater of 36% or thirty percentage points in excess of the discount window primary credit rate. Or. Rev. Stat. § 725.340(1)(a).

Pennsylvania: Pennsylvania's Consumer Discount Company Act allows lenders to charge interest computed by the archaic "discount interest" method at a rate of \$9.50 per \$100 per year, plus \$1.50 for each \$50 of the amount the consumer will be required to repay. 7 Pa. Stat. Ann. 6213(E), (F).

Rhode Island: For loans up to \$5,000, Rhode Island's Small Loan Lenders Act allows interest of 36% on loans up to \$300, 30% on loans over \$300 but not exceeding \$800, and 24% on loans over \$800 but not exceeding \$5,000. R.I. Gen. Laws § 19-14.2-8.

South Carolina: For a 6-month \$500 loan, South Carolina allows a lender to charge interest, calculated by the archaic "add-on" method, at \$25 per \$100 per year, plus 7% of the cash advance or \$56, whichever is less. S. C. Code Ann. § 37-3-201(2)(a). For loans of more than \$600, South Carolina places no cap on the APR other than unconscionability. S.C. Code Ann. §§ 37-3-201(2)(b), 37-5-108.

South Dakota: South Dakota allows an APR of 36%, including all charges for any ancillary product or service and any other charge or fee incident to the extension of credit. S.D. Codified Laws § 54-4-44.

Tennessee: Tennessee's Industrial Loan and Thrift Companies Law allows a lender to charge 12.5% of the principal, plus an "account handling charge" of \$16 for each month in the loan term for a \$500 loan or \$32 for each month in the loan term for a \$2,000 loan. Tenn. Code Ann. § 45-5-403(b). It also allows a second method that produces a lower APR for our sample loans.

Texas: Texas allows a lender to choose among three different methods for calculating the maximum allowable APR for a 6-month \$500 loan, two of which are also available for a 2-year \$2,000 loan. Of these methods, the one that produces the highest APR for our \$500 6-month loan allows an acquisition charge of 12.5% of the advance or \$125, whichever is less, plus an "account handling fee" of \$4 per month for each \$100 lent. Tex. Fin. Code §§ 342.252, 342.259. For our sample \$2,000 2-year loan, the method that produces the

highest APR allows \$18 per \$100 per year, calculated via the archaic “add-on” method, plus an “administrative fee” of \$125. Tex. Fin. Code § 342.201(a), (f); 7 Tex. Admin. Code § 83.503.

Utah: Utah places no cap on the APR other than unconscionability. Utah Code Ann. §§ 70C-2-101, 70C-7-106.

Vermont: Vermont allows a non-bank lender to charge 24% on the first \$1,000 and 12% on the excess over \$1,000. In the alternative, the lender can charge 18% on the whole balance. Vt. Stat. Ann. tit. 8, § 2230(a).

Virginia: Virginia’s Short-Term Loan Act applies to loans up to \$2,500 with terms between 4 and 24 months. For these loans, it allows 36% interest, plus a fee of 8% of the original principal or \$25, whichever is less, for each month in the loan term. The law also provides that the interest and fees cannot exceed 50% of original loan amount if the loan is \$1,500 or less, or 60% of if the loan is greater than \$1,500. Va. Code Ann. § 6.2-1817(A), 6.2-1818.3. A second Virginia lending law, the Consumer Finance Companies Act, places a lower cap on the APR for our two sample loans.

Washington: Washington allows a non-bank lender to charge 25% interest plus an origination fee up to 4% of the first \$20,000. Wash. Rev. Code § 31.04.105(1), (2).

West Virginia: West Virginia allows a non-bank lender to choose among five different methods of calculating the maximum allowable APR. The one that produces the highest APR for both of our sample loans allows an interest rate of 31% plus an origination fee of 2% of the loan amount. W. Va. Code § 46A-4-107(7).

Wisconsin: Wisconsin places no cap other than unconscionability on the APR that a non-bank lender may charge. Wis. Stat. §§ 138.09(7)(bp), (k).

Wyoming: Wyoming allows a non-bank lender to charge 36% on the first \$1,000 and 21% on the remainder. Wyo. Stat. Ann. § 40-14-310.

ENDNOTES

1. See National Consumer Law Center, *Consumer Credit Regulation* §§ 1.3, 1.4 (3d ed. 2020) (tracing the origin of the general usury laws on the books in many states today to England's laws before American independence)
2. Spencer Cowan & Brent Adams, Woodstock Inst., Illinois's Predatory Loan Prevention Act: The Impacts of the State's 36% Rate Cap (Jan. 2024); National Consumer Law Center, After Payday Loans: Consumers Find Better Ways to Cope with Financial Challenges (Mar. 1, 2022), <https://www.nclc.org/resources/after-payday-loans-consumers-find-better-ways-to-cope-with-financial-challenges/>.
3. See Spencer Cowan & Brent Adams, Woodstock Inst., *Illinois's Predatory Loan Prevention Act: The Impacts of the State's 36% Rate Cap* (Jan. 2024).
4. See National Consumer Law Center, Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Will Default (July 27, 2016), <https://www.nclc.org/resources/misaligned-incentives-why-high-rate-installment-lenders-want-borrowers-who-will-default/>.
5. See Financial Health Network, FinHealth Spend Report 2024, at 27 (Aug. 2024), <https://finhealthnetwork.org/wp-content/uploads/2024/08/FinHealth-Spend-Report-2024-FHN.pdf> (11% of Black households and 14% of Latino households have unsecured installment loans, as compared to 9% of white households); Financial Health Network, FinHealth Spend Report 2023, at 26 (June 2023), <https://finhealthnetwork.org/wp-content/uploads/2023/06/Spend-Report-2023-Final.pdf> ("Use of bank installment loans increased among both White and Latinx households, but nonbank installment loans, which carry higher interest rates on average, significantly increased only among Black and Latinx households. Incidence of holding a nonbank installment loan rose from 3% in 2021 to 8% in 2022 for Black households and from 6% to 9% for Latinx households." (footnotes omitted)); S. Ilan Guedj, Ph.D., Report Reviewing Research on Payday, Vehicle Title, and High-Cost Installment Loans 9 (May 14, 2019), <https://lawyerscommittee.org/wp-content/uploads/2019/05/Report-reviewing-research-on-payday-vehicle-title-and-high-cost-installment-loans.pdf>.
6. Financial Health Network, FinHealth Spend Report 2023, at 26 (June 2023), <https://finhealthnetwork.org/wp-content/uploads/2023/06/Spend-Report-2023-Final.pdf>.
7. See Spencer Cowan & Brent Adams, Woodstock Inst., Illinois's Predatory Loan Prevention Act: The Impacts of the State's 36% Rate Cap 5 (Jan. 2024) (reporting that, prior to the state's institution of a 36% rate cap, "areas with the highest percentages of Black residents had the highest incidence of payday and installment payday loans per capita, by far"; note that installment payday loans are ones with terms between 112 and 180 days, so would include loans closely matching our sample 6-month \$500 loan); Brandon Coleman & Delvin Davis, Center for Responsible Lending, Perfect Storm: Payday Lenders Harm Florida Consumers Despite State Law 7, Chart 2 (Mar. 2016), https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_perfect_storm_florida_mar2016_0.pdf.
8. See Consumer Fin. Prot. Bureau, Online Payday Loan Payments 3-4, 22 (Apr. 2016), https://files.consumerfinance.gov/f/201604_cfpb_online-payday-loan-payments.pdf.

9. See National Consumer Law Center, Comparing APRs on Small Loan Alternatives (Jan. 7, 2025), <https://www.nclc.org/resources/comparing-aprs-on-small-loan-alternatives/>.
10. However, the MAPR excludes most fees for credit cards as long as they are reasonable and bona fide.
11. See National Consumer Law Center, Why Cap Interest Rates at 36%? (Aug. 2021), <https://www.nclc.org/resources/why-cap-interest-rates-at-36/>.
12. National Consumer Law Center, Larger Loans Need Lower Rates: A 50-State Survey of the APRs Allowed for a \$10,000 Loan (Mar. 6, 2024), <https://www.nclc.org/resources/larger-loans-need-lower-rates-a-50-state-survey-of-the-aprs-allowed-for-a-10000-loan/>.
13. Wyo. Stat. Ann. § 40-14-310(g).
14. See 15 U.S.C. § 1601(a) (“It is the purpose of [the Truth in Lending Act, which requires disclosure of the APR] to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him”); National Consumer Law Center, *Truth in Lending* § 1.1.1 (11th ed. 2023), *updated at* www.nclc.org/library (purpose of TILA to provide uniformity and enable comparison of disclosures of cost of credit).



**National
Consumer Law
Center**

*Fighting Together
for Economic Justice*

NATIONAL HEADQUARTERS

7 Winthrop Square, Boston, MA 02110
(617) 542-8010

WASHINGTON OFFICE

Spanogle Institute for Consumer Advocacy
1001 Connecticut Ave, NW, Suite 510
Washington, DC 20036
(202) 452-6252