

No progress on title-lending bill

Coalition, industry pitch sides, but panel OKs nothing

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NASHVILLE - A coalition of consumer advocates Tuesday criticized Tennessee laws on auto-title loans that they said allow lenders to charge fees and rates up to 264 percent per year.

But a legislative committee that heard testimony from the title-loan industry and consumer advocates appeared unready to approve wholesale reforms. A reform bill has been pending for two years in the Legislature.

Title lenders loan money to borrowers who put up titles to their vehicles as collateral. If not ultimately repaid, lenders seize the vehicles.

Webb Brewer, advocacy director of Memphis Area Legal Services Inc., and Corky Neale, research director of RISE Foundation of Memphis, a nonprofit financial education agency, said a main concern is the high fees lenders may charge.

The current Tennessee Title Pledge Act permits interest rates of 2 percent per month plus fees totaling 20 percent per month, for a total of 22 percent monthly - an effective annual percentage rate of 264 percent.

Most title lenders charge the 20-percent administrative fee to set up a 30-day loan, then charge the same fee every month the loan is renewed, or "rolled over." A state Department of Financial Institutions study found title loans roll over an average of seven times.

"A 20-percent administrative fee on the front end is legitimate; there are costs involved in booking the loan. But then to charge another 20 percent the next month for rolling it over, which takes about 30 seconds, seems excessive," Neale told the House utilities and banking subcommittee.

The panel is reviewing a nine-point reform bill that includes a one-time administrative fee.

The hearing room was filled to capacity Tuesday. Billy Mitchell, vice president of Atlanta-based Community Loans of America, the largest U.S. title lender, said the bill sought by consumer advocates "would shut down the industry."

Mitchell, a Georgia state representative, said only 7 percent of customers had their cars seized, that the largest group of customers earns \$50,000 to \$75,000 a year, and that some customers who default have cars so worthless that they tell lenders to come get them.

Of the income claim, Brewer said, "I'm on the front lines of dealing with this problem, and I can tell you that I don't see that."

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