

Title loan interest rate cap gets hearing

Brian Lyman, Montgomery Advertiser 1:20 p.m. CDT May 20, 2015



(Photo: Lloyd Gallman / Advertiser file)

A House committee Wednesday morning heard arguments for and against a bill to regulate interest charged on title loans.

No vote was taken on the measure, sponsored by Rep. Rod Scott, D-Fairfield, and its chances of passage are slim with only a handful of days left in the session. That point was noted by advocates of the bill, which has almost two-thirds of the House membership signed on as co-sponsors.

“We’re looking at a long offseason,” Stephen Stetson, a policy analyst for Alabama Arise, a group that works on poverty issues, told the House Financial Services Committee. “It’s a shame 67 co-sponsors, which is enough to get (a bill) passed on the floor, wasn’t enough to get it through committee.”

Scott’s bill, similar to legislation aimed at payday loans, would cap title loan interest rates at 36 percent APR and provide for regulations for the disposition of property pledged under loans.

Under current law, title loan companies can charge upwards of 300 percent APR on title loan transactions. Critics of title loan and payday lending consider the practice usury and say it preys on the poor. The industries say they provide credit in areas generally underserved by traditional lenders and cannot survive under the strict rate cap.

“The most difficult part of this issue deals with interest rates and the amount that should be financed or considered,” Scott said. “We were very diligent in working with the Banking (Department) in coming up with a framework.”

Industry representatives, however, said the 36 percent rate cap was a deal breaker.

“It’s not reform,” said Gina Dearborn, speaking on behalf of Title Max. “It would completely put us out of business. 36 percent is not something we can live with.”

Advocates of reform say that the short-term loans trap the poor in a cycle of debt. Joe Godfrey, executive director of the Alabama Citizens Action Program, a socially conservative group, said bad title loan operators “preyed” on individuals.

Godfrey said government has a role “to protect (citizens) against foreign and domestic enemies. This would be a domestic enemy.”

Members of the committee, which approved a payday loan interest rate cap earlier this month, did not indicate how they would vote on the title loan measure. Rep. Mike Hill, R-Columbiana, repeating arguments made during the payday debate, noted the federal government appeared to moving to regulate the industries.

“We’re a half a step ahead of getting an answer, and I don’t know how we’ll set up a piece of legislation that will be effective within the standards of the federal government,” he said.

The payday loan bill advanced to the floor of the House of Representatives last week, but was carried over on a voice vote where those voting “no” sounded significantly louder than those voting “yes.”

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