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New Report Finds Georgians Exposed to Larger, Longer High Interest Predatory Loans

NCLC 50-State Review of Consumer Protection Laws for a $10,000 Five-Year Installment Loan

Download the full report, including a map, charts, and tables, complete list of recommendations, and a summary of the laws in Georgia that apply to a $10,000 five-year non-bank loan: https://www.nclc.org/images/pdf/pr-reports/installment-loans/installment-loans-report-2018.pdf

ATLANTA- Everything that is wrong with a high-cost loan is only made worse when the loan is larger and longer. Yet, Georgia permits a staggering 60% annual percentage rate (APR) for a $10,000 five-year non-bank installment loan, the highest rate of any state that caps interest, leaving more than 10 million Georgians subject to high-interest predatory installment loans, according to a new report from the National Consumer Law Center. These high-cost installment loans can trap people in a cycle of debt that can be nearly impossible to escape.

"NCLC's report shows that Georgia's lending laws are not doing enough to protect consumers from predatory loans with steep interest rates that push our citizens deeper into financial crisis," said **Liz Coyle, executive director of Georgia Watch,** which recently released, Making Small-dollar Lending Safer for Georgians.

A Larger and Longer Debt Trap? Analysis of States' APR Caps for a $10,000 Five-Year Installment Loan examines the maximum APR, including both interest and fees, allowed in each state and the District of Columbia for a $10,000 five-year loan. The report finds that, for a $10,000 five-year loan, Georgia's 60% APR cap subjects

Georgians to higher interest rates than more than ¾ of the country. 38 jurisdictions have stronger APR limits in place, at a median rate of 25% while 7 states (Alabama, California, Idaho, New Mexico, South Carolina, Utah, and Wisconsin) impose no numerical rate cap other than a prohibition of rates that shock the conscience. The lending laws in Delaware, Missouri, North Dakota, Ohio, and Virginia impose no limit at all.

"Our analysis shows a general consensus among the states that APR caps should be well below 36% for these larger, longer-term loans," said **National Consumer Law Center Deputy Director Carolyn Carter, the primary author of the report.**

Key Recommendations for States

Limit APRs to well below 36%. 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, and represents the median among the 39 states that cap the APR for such a 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 impose a duty on lenders to meaningfully evaluate whether the consumer can afford to repay the loan while covering other expenses without re-borrowing.

For the complete set of recommendations for states and additional materials, please visit: https://www.nclc.org/issues/a-larger-and-longer-debt-trap-installment-loan.html.
This report builds on NCLC's extensive work on predatory lending. For more information, please visit: https://www.nclc.org/issues/usury.html.

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Founded in 2002, Georgia Watch is a statewide consumer advocacy organization working to educate and protect Georgia consumers on matters that impact their quality of life, particularly the effects of predatory business practices, the high cost of utilities and healthcare, and restricted access to the civil justice system.

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. www.nclc.org