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 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 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 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: 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, up to $25,000, 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 statue 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 $2,400 (adjusted for inflation from $2,000), 21% on the next $2,400, and 15% on the remainder. In addition, the lender is allowed to charge a loan fee, varying from $75 for loans under $2,400 to $200 for loans over $4,800 (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 offers 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 $4000, 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 $2,500 payable over four to twelve months. Miss. Code Ann. § 75-67-619. The second allows an APR of 59% on loans up to $5,100 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 $1,500 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 $47.20 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 the first $300, 30% on the remainder up to $800, and 24% on the remainder. 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 10% 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 allowable APR for both of our sample loans is $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.