Alternative Small Dollar Loan Symposium:

Leveling the playing field between regulated and unregulated consumer credit

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Alternative Small Dollar Loan Symposium:
Opportunities & Challenges for Illinois’ Financial institutions
Chicago, Illinois | Tuesday, November 17, 2009
High cost consumer credit

What it is

1. Short-term payday or long-term installment loans secured by wages, or automobile title loans secured by a car or truck. Other consumer finance companies make unsecured loans.

Why it is a problem

1. Triple digit interest rates mean borrowers pay as much in interest as they originally borrowed.

2. Loans secured by wages or direct deposit means unsecured consumer lenders get paid before the mortgage, utilities, or any other creditor.


Recommendations

- Establish strong protections for longer-term loans
- Expand protections to other types of loans, such as title loans
- If high fees are permitted for specific products, establish a 36% statewide cap to prevent another loophole
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**Benefits to borrowers**
- Ensured lenders considered a borrowers ability to repay
- Limited high cost refinances
- Prevents multiple outstanding loans

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- 361% APR to borrow $309 (about a 40% savings)
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- 255% APR to borrow $1,165
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### Closing regulatory loopholes

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### Breaking the cycle of debt

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### Creating a consumer reporting service

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### Consumer Protection #3

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