



Automobile Title Loan CONSUMER ADVISORY

Exercise caution before borrowing money through an automobile title loan. These loans require you to put up as collateral the ownership of your car. If you miss payments or default on the auto title loan, the lender can take your vehicle.

Auto title loans typically are advertised as short-term loans for people who need money quickly but may not have access to more conventional loans, possibly due to marginal credit scores.

Few assets are more important to Californians' financial security than their cars. Borrowers who use their auto titles as loan collateral are risking that asset. That's why we strongly urge consumers to exercise great care before taking out an auto title loan, and to try other options first. The amount of these loans typically is less than what the car is worth.

***WARNING: FOR ALMOST ALL AUTO TITLE LOANS,
THE INTEREST RATE LENDERS CAN CHARGE IS UNLIMITED.
THIS SHOULD BE A LOAN PRODUCT OF LAST RESORT.***

Current state law does not limit interest rates for consumer loans of \$2,500 or more. In 2013, virtually 100 percent (99.99 %) of auto title loans equaled or exceeded that threshold. The annualized interest rate on the vast majority of these loans ranged from 70% to 100% and higher.

Even if you don't have the protection of interest rate limits, the law requires lenders to deal with you fairly and honestly. That means they must fully inform you about the interest you will pay. Carefully review the terms of the loan BEFORE you sign a contract!

Tips for consumers considering an auto title loan:

- *Borrow only as much money as you can afford to fully repay when the payment is due, which may be less than the amount you may be eligible to receive.*
- *You have the right to full disclosure in your contract of all interest charges, the annual percentage rate (APR) of the loan and all fees. The final contract must be in the language in which you negotiated it.*
- *Before you take out a loan, read the contract thoroughly and be sure you understand all the terms. Once the loan agreement is signed, you are legally responsible to fulfill the obligations in the contract.*
- *Be aware some lenders use remote engine shutdown devices that allow them to turn off your car if you don't make payments. Some of these devices have GPS tracking capability.*
- *Although these loans are quick and easy to obtain, you pay higher prices for the convenience.*
- **ABOVE ALL, CONSIDER AVAILABLE ALTERNATIVES.** *Examples include asking your employer for an advance on your next paycheck; finding out if your bank or credit union provides short-term credit products; asking creditors for more time to pay your bills; asking for a loan from a relative or friend.*

Always check with the Department of Business Oversight on a company's license BEFORE entering into an agreement for an auto title loan.

www.dbo.ca.gov

1-866-275-2677