

PAYDAY LOANS AND TITLE LOANS

WHAT IS A PAYDAY LOAN?

A payday loan (also called a “cash-advance” or a “deferred deposit loan”) is a loan, generally for \$1,000 or less, that is typically due on your next payday or in payments over 90 days.

Interest rates range from 40% to over 1,000%.

A single loan term cannot exceed 35 days (most loans have a 30-day period to pay it back). However, if the loan is broken up into payments, the term can be up to 90 days.

A lender cannot make a loan (or multiple loans added together) with a payment that exceeds 25% of your monthly income.

WHAT IS A TITLE LOAN?

A title loan is a loan made in exchange for the title to your vehicle.

Interest rates range from 35% to over 1,000%.

You must legally own the vehicle (and be listed on the title).

A single loan term cannot exceed 30 days (meaning you have 30 days to pay it back) and cannot be extended more than 6 times. If the loan is broken up into payments, the term can be up to 210 days.

Lenders must take into account your ability to repay the loan, including proof of your income, expenses, and obligations.

Lenders must require you to sign an affidavit (a sworn statement), stating that:

You (the borrower) have provided the lender with true and correct information about your income, obligations, employment, and ownership of the vehicle; and You have the ability to repay the title loan based on the information you provided in your affidavit; and

The total amount of the loan, including all finance charges and interest, does not exceed the fair market value of the vehicle; and

If there is more than one person on the title, both must be present.

WHAT ARE LENDERS REQUIRED TO DO?

For payday loans and title loans, lenders are required to:

Fully calculate the interest rate and the amount of the loan into the payment amounts (this is called “amortization”).

Accept partial payments from you.

Comply with the Uniform Commercial Code (a set of laws that govern commercial transactions) when repossessing a vehicle.

Give you a receipt for each of your payments.

Provide you a copy of the loan agreement, which must state:

- The date and amount of the loan
- The amount financed (that is the amount you borrowed)
- The annual interest rate percentage
- The finance charge
- The total number of payments
- The total dollar amount of all payments
- The payment schedule
- The amount of every fee charged, along with a description of each fee

ARE THERE THINGS LENDERS CANNOT DO?

A payday loan or title loan lender cannot:

- Charge late fees
- Require a balloon payment of any kind
- Accept or require an assignment of wages
- Require more than one check or electronic transfer of money for each deferred deposit loan
- Charge any fee to cash a check given as security for a loan

ARE THERE SPECIAL RESTRICTIONS FOR BORROWERS IN THE MILITARY?

Under the Federal Military Lending Act, there are additional restrictions on lenders if the borrower is a member of the military or a service member’s dependent.

WHAT IS DEFAULT?

“Default” is defined by Nevada law as the failure of a customer to make a scheduled payment on a loan on or before the due date.



If you default on a payday loan or title loan:

You Are Entitled to a Reduced Interest Rate

- The lender must reduce the interest rate to an annual percentage rate not higher than prime plus 10 percent (which is usually about 15%).
- The lender can charge and collect interest at this reduced rate for no longer than 90 days after your initial loan period ends or after you default on the repayment plan, whichever is later.

You Are Entitled to a Repayment Plan

- The lender must make a written repayment plan available to you for at least 30 days after the date of your default and before the lender can try to collect the debt or file a lawsuit.
- The length of the repayment plan must be at least 90 days.
- The first payment on the repayment plan cannot be more than 20% of the total amount due.

The Lender Must Comply with Federal Law

- When trying to collect the debt, the lender must comply with the Federal Fair Debt Collection Practices Act.

CAN I RESCIND (OR VOID) A LOAN?

You may rescind (or void) a payday or title loan without incurring any fees, but you must do it by the close of business on the next business day after you obtain the loan. To rescind the loan, you will have to go to the same location where you got the loan and pay back the loan's face value in full, less any fee you were charged to initiate the loan.

HOW CAN I AVOID THE DEBT TREADMILL?

Do Not "Rollover", Extend, or Refinance Your Loan

A rollover or extension means you pay a fee (usually the interest that has added up) to delay paying back the loan by signing a new contract for the same amount as the original loan or slightly more. You will usually pay several hundred dollars more without making any payments on the principal (the amount originally borrowed). That means you will still owe the amount you borrowed, even after several payments.

Avoid Multiple Loans

Do not take out more than one loan at a time. Do not take out multiple loans at multiple places. Do not take out a loan to pay off another loan or pay the interest on another loan.

Beware of Title Loan Rescues or Buy-Outs

Loan companies often advertise that they will save you thousands of dollars by buying out your existing title loan. In reality, these buyout loans will likely cause you to pay more in interest and fees and get you more in debt. Selling a title loan to another lender starts the entire loan process all over again.

Avoid Grace Periods and Deferment Periods

Lenders often offer “grace” or “deferred” periods if you are having trouble making your payments and are in danger of default. Often, these result in a longer term loan, which increases the amount of interest you will pay before paying down the principal (the amount originally borrowed).

Never sign on as a co-borrower on someone else’s loan.

What to Do Instead

Tell the lender that you cannot pay and ask for a repayment plan. Once your loan is in “default,” the interest rate drops significantly. No interest accrues during a repayment plan. Under Nevada law, the first payment in a repayment plan cannot be more than 20% of the amount due and the repayment period must be at least 90 days.

WHAT ARE THE REGULATIONS GOVERNING PAYDAY AND TITLE LOAN LENDERS?

Chapter 604A of the Nevada Revised Statutes regulates both title lenders and payday lenders who offer unsecured high-interest loans.

NRS 604A.303 requires the Nevada Department of Business and Industry’s Financial Institutions Division to maintain a database of information related to deferred deposit, title, and high-interest loans. Before making a new deferred deposit or high-interest loan to a borrower, the lender must check the database to ensure that the loan, in combination with any other of the borrower’s outstanding loan(s), does not exceed 25% of the borrower’s expected gross monthly income.

The Federal Fair Debt Collection Practices Act also applies to high interest lenders in Nevada. For more information, read Legal Aid Center’s Debt Collection brochure.

WHAT CAN I DO IF A LENDER IS NOT FOLLOWING THESE PRACTICES?

Get Legal Help

Contact Legal Aid Center of Southern Nevada at 702-386-1070.

File a Complaint

The Nevada Department of Business and Industry oversees all high interest lenders in the State of Nevada. To file a complaint, contact the Financial Institutions Division at 702-486-4120. Or, you may find the complaint form on its website: <http://fid.nv.gov/Resources/Resources>



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