

Arizona Attorney General's Office Operation Sunset FAQ

Are payday loans legal in Arizona?

The law allowing pay day loans in Arizona will expire on June 30, 2010. Consumer loans with annual interest rates over 36% (plus authorized fees) will be illegal as of July 1, 2010. The Arizona Attorney General's Office plans to vigorously enforce the prohibition on payday lending.

I have an unpaid balance on a payday loan. Does the change in law mean that I do not have to repay the loan?

Probably not. If you borrowed money and promised to pay it back, the sunset of the payday lender licensing program will not, by itself, change that obligation. However, some consumers have worked out a payment plan with their lender.

Can my payday lender "roll over" the amount I currently owe into another payday loan?

No. Payday lending activity is illegal in Arizona after June 30, 2010.

Do I have to convert the unpaid balance of my payday loan to an auto title loan?

It is extremely unlikely that a payday lender can legally "require" you to convert an unpaid loan balance to an auto title loan. If your payday lender insists they can, ask the lender to identify the specific part of the contract they claim gives them this right, and consult a lawyer if necessary.

If you are considering taking out an auto title loan to pay off a payday loan, be sure to carefully read the repayment terms of the loan and check that the auto title lender is licensed with the Arizona Department of Financial Institutions (602-771-2800). Auto title lenders must be licensed as "sales finance companies" under Arizona law. Click here for a list of Arizona sales finance company licensees: http://azdfi.gov/Lists/SF_List.HTML

What else should I know about auto title loans?

Auto title loans are generally given only if you own the vehicle that is securing the loan. If a lender says that ownership of the vehicle or its value don't really matter, consider those warning signs and report the lender to the Attorney General's Office.

Also, be aware that auto title loans can carry very high interest rates. Be sure you understand all terms of the loan, including when your vehicle can be repossessed and what happens if you owe more on the loan than your car is worth.

What should I know about companies that provide pre-paid debit cards and offer to help improve my credit rating?

In other states, lenders have used middlemen (often called "credit services organizations") to solicit customers. Although the lender itself may only charge 36% interest and allowable fees on the loan, once the middleman's charges are added into the equation, the consumer may end up

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paying interest and fees far in excess of consumer loan limits. Be extremely cautious before entering into this kind of arrangement, and make sure you understand exactly what services will be provided and how much they will cost.

Are there any limits on what a payday lender can do in order to collect on an unpaid loan?

Yes. It is illegal to threaten you with criminal prosecution for writing a "bad check" in connection with the loan. Also, a payday lender cannot harass you to such an extent that it rises to the level of the crime of harassment (a misdemeanor).

Both federal and state law limit the tactics a debt collector can use, including restricting the time, hours, and places they can call you. For information on federal law visit the Federal Trade Commission's website at: www.ftc.gov. Also, the Department of Financial Institutions regulates collection agencies in Arizona: <http://azdfi.gov>.

If I see lenders still offering payday loans, what should I do?

Be aware that the change in law does not mean all payday loan stores must close. The business might offer other kinds products or services permitted under Arizona law. What they cannot do is offer payday loans after July 1, 2010.

The Arizona Attorney General's Office has set up a special task force to enforce laws banning payday lending activity called the Operation Sunset Enforcement Team. Contact the office:

by emailing: operationsunset@azag.gov;
by calling our dedicated phone line at: (866) 879-5219;
or writing to:

Arizona Attorney General's Office
Office of Consumer Complaints
1275 W. Washington St.
Phoenix, AZ 85007

To file a consumer complaint with the Attorney General's Office, go to: www.azag.gov, or call (602) 542-5763, or (800) 352-8431.

Now that payday lending is ending, how can I get a loan to meet basic expenses?

Consumer lenders are licensed and regulated by the Arizona Department of Financial Institutions. Consumer lenders can loan up to \$10,000, and interest is capped at 36% (plus some fees). Click here for a list of licensed consumer lenders: http://azdfi.gov/Lists/CL_List.HTML.

Credit unions may offer loans on favorable terms to their members. Some banks offer loans on favorable terms as well.

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Where should I go if I need counseling on how to pay off my debt or manage my finances?

Many companies offer “debt management” “credit counseling” or “credit repair” services. Some are reputable and some are not. Research the company *before* you pay money or sign a contract for services. The Better Business Bureau provides a company’s complaint history and other related information. Read the contract carefully, and make sure any promises the salesperson made are confirmed in the written agreement. If not, file a consumer complaint with the Attorney General’s Office.

For a list of credit counseling agencies approved by the U.S. Trustee, visit: http://www.justice.gov/ust/eo/bapcpa/ccde/cc_approved.htm , or call 202-514-4100. Also, the National Federation for Credit Counseling may offer a referral and can be contacted online at: www.nfcc.org or by phone at 1-800-388-2227.

Can the Attorney General’s Office provide legal advice?

No. The Attorney General’s Office represents the State of Arizona and its agencies, and is not authorized to provide legal advice to individuals. If you have questions about your particular situation, please contact a private lawyer.

How can I find a lawyer?

These organizations may be able to refer you to a lawyer:

- Maricopa County Bar Lawyer Referral Service at: <http://www.lawyerfinder.com/> , or (602) 257-4434 (30 minute consultation for \$40.00)
- Pima County Bar Lawyer Referral Service at: www.pimacountybar.org , or (520) 623-4625 (30 minute consultation for \$35.00).
- AZLawHelp at: <http://www.azlawhelp.org> , or (866) 637-5341 (information about and referral to free or low-cost legal services in Arizona).
- Community Legal Services, Inc. at: www.clsaz.org , or (602) 258-3434, or (800) 852-9075 (must qualify for free or low cost legal assistance). This organization serves clients in Maricopa, La Paz, Yavapai, Yuma and Mohave Counties.
- Southern Arizona Legal Aid, Inc. at: www.sazlegalaid.org , or (520) 623-9461, or (800) 234-6789 (must qualify for free or low cost legal assistance). This organization serves clients in Pima County and 8 other southern and eastern Arizona counties.

DNA People’s Legal Services, at: <http://nativelegalnet.org>, or 800-789-9586. This organization serves Coconino County, northern Arizona and the Navajo and Hopi reservations.

To contact the BBB for central and northern Arizona: <http://central-northern-western-arizona.bbb.org> , or (877) 291-6222 (main location), (928) 772-3410 (Yavapai County). To contact the BBB for southern Arizona: <http://tucson.bbb.org> , or (520) 888-5353 (Tucson), (520) 732-9823 (Cochise County)