

The Tennessee Department of Financial Institutions completed a comprehensive report on the car title loan industry for the years following the imposition of an interest rate cap of 22% per month and other reform measures. They found the following:

Interest Rate

The rate that represents on average the break-even point for larger companies in terms of net income was 18.4% per month (221% APR).

That rate on average would result in zero net income for a car title loan company in Tennessee. Of the 206 companies that filed with the

Tennessee Department of Financial Institutions, 21% of title lenders reported operating at a loss in 2006.

Profit Margin & Return on Equity

For larger title loan companies such as LoanMax, the average profit margin was 16.6% —meaning that for every dollar of interest or fees charged only sixteen cents represents profit for the company. Another important measure of profitability is the rate of return on equity (particularly for the larger companies with more capital investment). The Department found that the average rate of return on equity for large car title loan companies in Tennessee was 9.31%. That rate is comparable to the return on equity rates set for some public utilities.

Repossession Rate

While repossession is just one of many areas of consumer protection that industry regulation could address, it seems to be the point most often mentioned by activist opponents of the industry, typically accompanied by outrageous claims as to the rate or frequency with which a car title loan results in the repossession and sale of the collateral. The Tennessee report found that the repossession rate on average for the entire industry was only 7% in 2005. LoanMax's repossession rate is about 5% on average, a rate that suggests that repossession is not the common result of a car title loan transaction.