



MICHIGAN ATTORNEY GENERAL

CONSUMER ALERT

Auto Title Loans: Put the Brakes on Before You Get Caught in a Cycle of Debt or Lose Your Car

An auto title loan is a short-term, high-rate cash loan where the lender takes physical possession of the borrower's title in exchange for the cash and a promise to pay off the loan, typically within 30 days. **Auto title loans that involve the lender taking physical possession of the borrower's vehicle title are not permitted under Michigan law.**

Unlike a traditional auto loan where the vehicle is used as collateral and the lender's interest is noted on the title and recorded with the Secretary of State as a lien, with an auto title loan, a borrower completes a short form, gives the vehicle's title to the lender, and quickly gets cash — sometimes in as little as 15 minutes. **This is illegal in Michigan.**

The ads for these quick-cash loans are enticing, especially if you need money now, if your credit is bad, or you have had problems getting a loan from a traditional lender. You might think an auto title loan is the answer — but you would be wrong. And Michigan consumers who go online or respond to national advertisers for an auto title loan are putting their long-term financial health at risk and may lose their vehicle.

When you can't pay off the loan on time, the lender may offer to "roll over" the loan into a new loan. But the rollover process always adds fees and interest to the amount you originally borrowed. Before you know it, you are over your head in debt with no way out and no transportation, since the lender will have repossessed your car.

Here is what you need to know and look for:



Auto title loans are illegal if the lender takes physical possession of the borrower's title.



Auto title lenders charge an average of 25 percent per month to finance an auto title loan, which translates to an Annual Percentage Rate (APR) of 300 percent (in violation of Michigan law), and it could go higher with additional fees for processing, documents, or origination.



Auto title lenders often require you to install a Global Positioning System (GPS) or a starter interrupter device that allows the lender to disable your car remotely.

Shop for and consider alternatives to an auto title loan. If you cannot repay the title loan and your car is repossessed, you may lose not only your transportation, but also the money your car was worth.

For information to consider when you apply for an auto title loan, alternatives to auto title loans, and additional protections for military consumers, see the [Federal Trade Commission's Car Title Loans consumer information](https://consumer.ftc.gov/articles/0514-car-title-loans) (consumer.ftc.gov/articles/0514-car-title-loans).

COMPLAINTS

Complaints about auto title loans should be directed to the Attorney General's Consumer Protection Division:

Consumer Protection Division

P.O. Box 30213

Lansing, MI 48909

517-335-7599

Fax: 517-241-3771

Toll free: 877-765-8388

[Online complaint form](https://mi.gov/agcomplaints) (mi.gov/agcomplaints)

The Attorney General provides Consumer Alerts to inform the public of unfair, misleading, or deceptive business practices, and to provide information and guidance on other issues of concern. Consumer Alerts are not legal advice, legal authority, or a binding legal opinion from the Department of Attorney General.



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