THE CURRENT

The Title-Pawn Trap

Georgia leads the nation in a consumer financial loan known as title lending. *The Current* and *ProPublica* examine how legal loopholes and a lack of regulation trap tens of thousands of consumers a year in debt.

Inside the sales practices of nation's biggest title lender

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Former TitleMax managers told ProPublica, The Current how they were trained to keep customers unaware of true costs of their title pawns.

Former TitleMax employees Ted Welsh Lupica and Cordelius Brown say that many of the Savannah, Georgia-based company's policies were unethical. Credit: Malcolm Jackson for ProPublica

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In her mid-20s, Cordelius Brown thought she had found the perfect job. She was thriving as a store manager at TitleMax, a Savannah, Georgia-based company that dominates a segment of the state's subprime lending industry known as title lending.

This story also appeared in ProPublica

Brown's easy rapport and hustle made her a natural in convincing Georgians with few credit options to sign up for TitleMax's lending product. She was earning more than she ever had, thanks to bonuses she received based on a percentage of her store's profits made from the company's targeted consumers — people like her own family who were struggling to make ends meet in low-wage service industry jobs, living on a fixed income or out of work because of poor health.

For people written off as credit risks by traditional lending institutions, a "title pawn" from TitleMax can help finance urgent needs. The transaction is straightforward: The company lends money in exchange for collateral — the title to the vehicle in which the customer drove to the store.

- *ProPublica and The Current previously covered title lending in Georgia in the article "How Title Lenders Trap Poor Americans in Debt With Triple-Digit Interest Rates."*

But Brown's customers continued to struggle, despite the financing from TitleMax. A key reason, she came to believe, was that the actual costs of borrowing were being masked by the sales techniques used by the company, which is exempt from Georgia's usury laws and can lend money at terms that would be illegal for other subprime lenders.

"I carry a lot of guilt," the 35-year-old said. "My community trusted me. What the company was selling to the community wasn't good for them."


Cordelius believes TitleMax distorts the true cost of borrowing to its tens of thousands of customers annually in Georgia. Credit: Malcolm Jackson for ProPublica

In 2016, the Consumer Financial Protection Bureau fined TMX Finance, the parent company of TitleMax, $9 million after the federal regulator determined that it violated federal laws with unfair, deceptive and abusive acts toward customers in Georgia, Alabama and Tennessee.

The CFPB also placed TMX Finance under a consent order to ensure the company's compliance with the laws.

But Brown and two other former managers at TitleMax stores across south Georgia told *The Current* and *ProPublica* that, despite ongoing scrutiny by the federal regulator, the company continued similar sales techniques that distorted and hid the true costs of borrowing in Georgia until as recently as 2021.

Brown and another former store manager agreed to go on the record with their experience at five separate stores in Savannah and Columbus, Georgia. The third, who also worked in Savannah, requested anonymity out of fear of legal entanglements for speaking out against the company, which last year posted $735 million in revenue and is known in its key market of Georgia for its litigious nature.

The Current and *ProPublica* also reviewed internal TitleMax company documents, emails and text messages that corroborated the former store managers' allegations.

TitleMax's top executives have been clear publicly that the company's business model depends on repeated monthly interest payments by its 293,000 customers nationwide. Brown, who worked as a store manager at TitleMax for almost seven years, and former Savannah store manager Ted Welsh Lupica both said that the company's business model was drilled into them in training, and that they faced repercussions for telling customers how to pay off their debt quickly or in full.

Welsh Lupica, a military veteran, said his supervisors told him to stop being transparent with customers about the true costs of borrowing.

Still, Welsh Lupica kept providing this information to his customers. "I would be explicit. I would tell them, 'Look, you make $2,000 a month and you want a $2,000 loan.' I'd tell them, 'Even if you pay us $200 a month, you are going to be doing that for the rest of your life because that's not going to pay down the loan' " with the triple-digit interest rate, said Welsh Lupica, who worked with Brown for a few months at a store on Savannah's east side.

Ted Welsh Lupica joined TitleMax in Savannah when COVID-19 lockdowns started. He didn't like what he saw as high-pressure and misleading sales tactics. Credit: Malcolm Jackson for ProPublica

The CFPB, which in December [extended its consent order with TMX Finance] through late January, declined to comment on the former store managers' allegations.

Welsh Lupica quit TitleMax in September 2020 after he said he received a second oral reprimand for his transparent sales pitch and has pursued a different line of work.

Brown was fired in June 2021 for violating store policies, a move that came shortly after she had filed a complaint with the Equal Employment Opportunity Commission alleging racial discrimination by the company.

TMX Finance did not respond to requests for comment.

TitleMax, the nation's largest title lender, boasts that it offers a rewarding workplace with plenty of upsides for employees who work hard. The company has a "passion for customer service coupled with a desire to create opportunity," according to its website. "Fast-paced, dynamic, energetic — and just plain fun!"

In 2015, fresh from earning an associate degree in business, Brown liked what the company was promising. She had always been described as a natural salesperson. And she was familiar with TitleMax's products: Her sister and some of her family's acquaintances had taken title pawns.

When she was first hired in Columbus, Brown avidly consumed the company's slickly produced training folder, paying close attention to TitleMax's explanations of how employees could boost their monthly pay and get promoted. Employees would boost store profits — and receive a financial bonus — based on closing new accounts, the average size of title pawns and persuading customers to keep monthly interest payments coming in. Each of TitleMax's more than 200 stores in Georgia tracks its own financials — which means, for store managers, "the more you sell, the more you make," Brown said.

As an assistant store manager at the time, Brown was not aware that the system that sounded so good to her was running afoul of federal consumer protection laws.

The year after Brown was hired, in September 2016, the CFPB found that TitleMax's businesses in three states had been violating multiple federal laws intended to protect Americans from predatory lenders or deceitful financial practices. In a 21-page consent order, the federal regulator described how the true costs of borrowing were hidden by TitleMax's sales pitches and the company's proprietary document known as a "voluntary payback guide," which was given to customers to instruct them on ways to minimize their monthly payments without informing them that it could lengthen the time to pay off their debt. Those practices, the CFPB investigators concluded, "materially interfere with a consumer's ability to understand that the longer the consumer takes to pay off the transaction, the more expensive the transaction will be, or to understand how much more expensive the transaction will be if paid off over a longer time."

The result was that customers would owe their original debt to the company, even after making payments for many months or years — something that boosted profits for the company but was "unfair, deceptive or abusive" to customers, according to the CFPB.

TMX Finance did not admit to any wrongdoing but agreed to pay a $9 million fine.

Shortly afterward, in a lawsuit filed in the Magistrate Court of Dekalb County, Georgia, a retired Navy veteran made similar allegations that the voluntary payback guide he had signed at an Atlanta-area store was deceptive. (TitleMax successfully had the case transferred to federal court in Georgia.)

In court filings, TitleMax pushed back against the allegations. Its lawyers argued that the voluntary payback guide could not be construed as deceptive because it was not a legally binding document, and that the company followed federal Truth in Lending Act disclosures in its title pawn contracts. The judge cited these two arguments when he dismissed the lawsuit in the company's favor in 2018.

Still, after TitleMax announced the CFPB's order internally to its employees, Brown recalled that the voluntary payback guide disappeared from her TitleMax store. Sales techniques, however, didn't change, she said.

By 2017, Brown had been promoted to store manager and had worked at two Columbus stores. She was being praised by superiors for increasing performance at the outlets, which served a primarily Black clientele. In 2019, she was promoted again and sent to a third store. Within months, her district supervisor and the regional vice president were applauding her work to store managers around the region, according to the emails reviewed by *The Current* and *ProPublica*.

Brown said her success came down to building trust with potential customers and her long hours hustling after payments from delinquent customers.

Brown and other store managers in Georgia were still boosting customer interest in the company's title pawn contracts by emphasizing the monthly interest rate that TitleMax would charge, generally between 9.9% and 12.9%, according to a review of corporate documents and an analysis of contracts by *The Current* and *ProPublica*. In Georgia, however, because the contracts are structured to last only 30 days and customers are allowed to roll over the contract an unlimited amount of times, the true costs of borrowing remained opaque.

From July 2019 through June 2022, roughly 210 TMX Finance stores in Georgia under the brand names TitleMax and TitleBucks issued new title pawns for approximately 47,000 vehicles annually. They represented more than 60% of the state's total volume of title pawns. In November, a review of more than two dozen Georgia title pawn contracts conducted by *The Current* and *ProPublica* found that annual interest rates in typical TitleMax contracts ranged from 119% to 179%.

Brown said she focused on collecting those repeat monthly payments in line with her corporate training and relished the role. She couldn't recall ever talking to her hundreds of customers about an amortization schedule that would reduce their principal and finally get their account balance to zero. Her training made it clear that the company never expected her to do that, she said.

Yet Brown was deeply affected by a wave of customers telling her of their stress and worry when they couldn't reduce their debt.

Robert Jones, an elderly Black man who lives on fixed income in Columbus, was one such customer. He used TitleMax multiple times when he was facing medical debts from his treatment for emphysema. In the more than two years of making monthly payments to the company, Jones said, he dealt with at least four different managers, and Brown was the only one who cautioned him about adding on to his debt load of $2,000 to pay for a new, expensive medicine with an additional title pawn. Brown "worked hard to help me understand which way was up" in what he saw as confusing contractual terms, Jones said.

'Our customers one decent, hardworking people. They aren't bums. But to TitleMax, they just have one purpose: money.'

CORDELIUS BROWN

Still, Jones eventually had to borrow more money from TitleMax because of his lingering medical debts, a move that compounded his struggles to get out of what he called his "debt trap" with the company.

In other cases, Brown decided to be even more proactive in helping customers find solutions to their debt problems.

In November 2019, Brown advised four longtime TitleMax customers, each of whom owed around $10,000, about securing an installment loan with a lower interest rate from another lender to pay off TitleMax. When they did, Brown's Columbus-area district director noticed these lump-sum payoffs. He then chastised Brown for losing what had been high-paying repeat monthly accounts, according to a text message reviewed by *The Current* and *ProPublica*. The district director told her to "stay aggressive," according to the text exchange.

"Our customers are decent, hardworking people. They aren't bums," Brown told *The Current* and *ProPublica*. "But to TitleMax, they just have one purpose: money."

In February 2020, TitleMax asked Brown to move to Savannah and take over a struggling store there. She was nervous — the city was more than four hours away from her family — but she took the offer that she believed would bring her another promotion. She had dreams of being the first in her family to buy a home, and a career at TitleMax was a way to achieve that.

But Brown couldn't square the idea of getting ahead personally with what she was starting to believe was an ambiguous business model. That understanding solidified that spring when a new assistant manager was assigned to her store.

Welsh Lupica was mustering out of the Air National Guard just as the global economy was shutting down because of the COVID-19 epidemic. He needed a job to help pay the bills, and TitleMax, which had been declared an essential business by Georgia Gov. Brian Kemp, was hiring as industries across the state remained shuttered.

Welsh Lupica went through his TitleMax training with a more jaundiced eye than Brown had. He recalled asking during his training whether TitleMax used predatory practices and whether TitleMax was among the title lenders that had actively lobbied against a push to cap interest rates in Nevada at 36% to protect consumers against high-interest subprime lenders.

The TitleMax sign on Skidaway Road. Credit: Jeffery M. Glover/ The Current

“In the military, I got a lot of financial education. We were always targets for that kind of crap,” Welsh Lupica said, referring to predatory lenders. The Pentagon, alarmed by the national security risks posed by the number of service members struggling to pay off debt, worked to strengthen federal laws protecting them from high-interest financial instruments, including title loans. “I wanted to know, ethically, what I was signing up for.”

Welsh Lupica said he was assured that TitleMax worked within the law, and that the company was a community asset.

Welsh Lupica began to feel differently, however, soon after he went to work with Brown at the TitleMax store on Skidaway Road in east Savannah, a mile away from Georgia’s first historically Black university and surrounded by leafy neighborhoods where a mix of working-poor and professional Black families lived.

Welsh Lupica and Brown formed a quick attachment as she taught him, a white man, how to gain the trust of their majority Black customers. That included tutorials on how to talk to older Black people, to drop some of his ramrod military formality and to be more self-deprecating in the store.

Brown, meanwhile, said Welsh Lupica opened her eyes to how the sales techniques that TitleMax had taught them as standard business practices confused customers about the true costs of a title pawn. Welsh Lupica explained to her how the minimum monthly payments that the company told them to emphasize with customers would lead people into a debt trap. Those minimal monthly payments would never decrease the principal, he told her.

“Customers who come to us looking for $2,000 or even $200 are not the type of people who can pay back that money at the end of the month. I knew that my customers would be paying month after month after month, but I didn’t realize how impossible it was,” Brown said.

‘You walk into TitleMax because you are desperate for any help to keep your kids warm and fed. But even desperate people can hear, if they are told plainly, what a terrible deal’ a title pawn is...

VENUS LOCKETT

Venus Lockett, a single parent who lives near Atlanta, turned to TitleMax when she couldn’t get a traditional loan because of her low credit score. The Atlanta-area store she dealt with never offered a printed contract, she said, and it took multiple trips dealing with multiple managers to get a clear sense of her debt.

Lockett said she would definitely have thought twice about signing a title pawn contract had she received the type of transparent sale pitch that Brown and Welsh Lupica offered. “You walk into TitleMax because you are desperate for any help to keep your kids warm and fed. But even desperate people can hear, if they are told plainly, what a terrible deal” a title pawn is, Lockett said.

In the spring of 2020, Brown decided to implement more transparency before customers signed their contract, something she saw as beneficial for them and the company. “We were there to make money for ourselves and TitleMax, and we could do that by building trust with the customer,” Brown said.

One such strategy was to print the sales contract — the only document that showed the annual interest rate — for customers before they signed it. Verbally, Brown and her team continued to talk about the monthly payments but described that as a fraction of the total annual cost of borrowing. They also clarified with customers that the minimum payment due each month would only cover interest, and that larger monthly payments would be necessary to get rid of the principal. “I would tell them, ‘I don’t care if you only have an extra dollar or $5, you need to give that to me as well,’” Brown recalled. “‘Otherwise, I’m going to see you in here month after month until the day you die.’”

The standard TitleMax procedure is to simply show customers contracts on a digital screen, not in a physical copy, according to the three former store managers. The only time a customer sees the annual interest rate is on the final contract, they said.

‘We were trained to keep customers paying [their monthly interest], not how to tell the customer how to pay off the loan.’

FORMER TITLEMAX STORE MANAGER

The third former store manager, who worked at two other TitleMax locations in south Georgia, confirmed that the sales techniques adopted by Brown and Welsh Lupica were not part of TitleMax’s standard routine. “We were trained to keep customers paying [their monthly interest], not how to tell the customer how to pay off the loan,” the former store manager said.

By late spring, however, the company got wind of the transparent sales pitch that Brown and Welsh Lupica had adopted — and communicated its disapproval, they said. Brown said her relationship with the company deteriorated, as she became emboldened to speak up against what she saw as workplace problems and to advocate for customers struggling to pay their title pawns.

Welsh Lupica, meanwhile, was transferred in June 2020 out of Brown’s store. He was sent to TitleMax’s flagship store in Savannah, which serviced over a million dollars in customer accounts each year. He didn’t adhere to the hard-nosed sales techniques that were routinely employed there, such as trying to get customers to agree to a higher amount of financing than they said they needed.

Instead, Welsh Lupica tried to continue the practice he had adopted at Brown’s store. But he said he was reprimanded and told to stop, especially his habit of printing the sales contracts for customers.

Feeling uneasy about the business practices, Welsh Lupica resigned in September 2020. “Most people who come to us are financially challenged,” said Welsh Lupica, who is now a Chatham County firefighter. “They rely on trust with the store manager.”

As 2020 continued, Brown became increasingly disillusioned with her work, especially with how the company dealt with Black employees and customers.

The pandemic was ravaging Georgia’s Black community — yet TitleMax did not pay for COVID-19 tests for employees in south Georgia, according to the three former store managers. Brown also complained to human resources and her district director that she had to work a full month without a day off or lunch breaks, while white managers in nearby stores were granted those basic rights, according to a civil rights discrimination lawsuit she later filed against the company, as well as the emails and text messages reviewed by *The Current* and ProPublica. Welsh Lupica confirmed Brown’s predicament. “Black employees were treated differently. I saw it happen,” he said.

The company also ignored pleas from Brown to try to evict a group of suspected drug users who slept in her store’s parking lot and made her and other employees feel unsafe, according to Brown’s lawsuit, as well as the reviewed company communications.

In October 2020, Brown was physically attacked as she was closing her store for the night, according to medical records and company communications. She took a leave of absence and returned to work in February 2021 because she needed a paycheck.

Brown said she resumed her practice of transparently explaining the true costs of borrowing to her customers. But she hit a wall a couple of months later when an elderly Black woman came into her store. Brown remembered watching the woman struggle painfully to walk from the parking lot to discuss her overdue account. The woman had had a stroke, she explained, and TitleMax had repossessed her car while she was in the hospital. Brown fought successfully with the company to have it pay $200 for a towing company to return the customer’s car. Yet what Brown saw as a decision affecting her customer’s life, the company seemed to view it as a mere accounting issue, according to company communications reviewed by *The Current* and *ProPublica*.

For Brown, that was the last straw. She filed a workplace grievance with the EEOC, alleging racial discrimination by TitleMax. In her claim, Brown listed multiple occurrences of what she described as unequal treatment she received as a Black woman compared with white colleagues, including being passed over for a promotion, unequal enforcement of the rules for breaks and vacation, and the use of racially insensitive language by her superiors.

In June 2021, TitleMax fired her, citing multiple violations of protocol, including once mistakenly repossessing a wrong vehicle.

Seven months later, the EEOC closed Brown's complaint, declining to rule either for Brown or for the company. "The EEOC makes no finding as to the merits of any other issues that might be construed as having been raised by this charge," the final report said. Employment and labor lawyers in Georgia say the EEOC rarely pursues the thousands of complaints it receives each year, leaving aggrieved workers in limbo about their allegations of discrimination. The EEOC declined to comment on the case, citing confidentiality.

At least two other former TitleMax employees in Georgia have sued the company in the last 10 years alleging racial discrimination or sexual harassment after filing EEOC complaints. One case was settled, but its terms are unknown. The other was dismissed before the discovery phase. The company's employment contract had a mandatory arbitration clause — a closed-door dispute mechanism that companies often use to prevent workplace allegations or criticisms from becoming public. The EEOC declined to provide the total number of complaints filed against TitleMax, citing privacy laws.

In April, Brown filed her lawsuit against the company in the federal district court for the Southern District of Georgia, hoping that the courts would take her complaints more seriously. TitleMax never replied to the substance of Brown's allegations and instead argued for the case to be thrown out on procedural grounds. This month, the judge dismissed the case, which Brown filed on her own and without legal counsel, for technical reasons, faulting her for not presenting the legal complaints in a professional or appropriate manner. He did not rule on the merits of the case.

Brown also emailed a letter to the CFPB, citing her allegations of racial discrimination and TitleMax's business practices as potential violations of federal law. But she did not use the dedicated email portal or phone number that the CFPB spokesperson said the agency encourages whistleblowers to use, and she has not heard back from the federal regulator. The CFPB declined to comment on Brown's allegations, citing the ongoing consent order with TitleMax.

Brown now works for another Savannah-based company that sells furniture to elderly residents with mobility issues. She makes less money but feels better about work at the end of the day. At least one former TitleMax manager also works at the business, and they often swap stories about their shared experience.

“You can make money and be honest with your customers,” Brown said. “That’s the bottom line. In seven years at TitleMax, I didn’t see a single supervisor who understood that and wanted to do business in that way.”

Mollie Simon, research reporter at ProPublica, contributed to the story.

TitleMax demands high-interest payments from borrowers in bankruptcy

In Georgia, borrowers looking to alleviate debt through Chapter 13 bankruptcy can't escape their high-interest title pawns thanks to a legal loophole that TitleMax helped secure.

by **Margaret Coker**
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, **Joel Jacobs/ProPublica** and **Mollie Simon/ProPublica**

July 13th, 2023

Christina Cooper remembers it was a muggy summer night when she came to terms with a painful reality.

This story also appeared in ProPublica

Bill collectors were after her for medical bills, and she owed several thousand dollars on her furniture. Weighing most heavily, though, was the $2,700 debt to Savannah, Georgia-based TitleMax, the nation's largest title lender, which lends money at triple-digit annual interest rates in exchange for a customer's car title. In Georgia, these "title pawns," as they are known, are allowed to carry much higher interest rates than traditional loans, and defaulting on them means the company can repossess the car, a vital lifeline for rural families like Cooper's.

Credit: ProPublica

A series: The title pawn trap

- ***How Georgia's top GOP leaders have blocked title lending reform***
- ***TitleMax ordered to pay $15 million for predatory lending to soldiers, families***
- ***Georgia legislators back bill to rein in title pawn industry***
- ***Inside the sales practices of nation's biggest title lender***
- ***How title lenders trap poor Georgians in debt with triple-digit interest rates***
- ***Q&A: How title lending works***

The working mother of three didn't know how to make the math work to pay what she owed. She couldn't earn any more each month, and she was already relying on food stamps. Last July, she swallowed her pride and filed for Chapter 13 bankruptcy, a legal process that enables debtors to keep their assets while they work on regaining their financial footing. Normally, Chapter 13 bankruptcy clears some debts and reduces payments on others through a court-approved repayment plan that the debtor can afford.

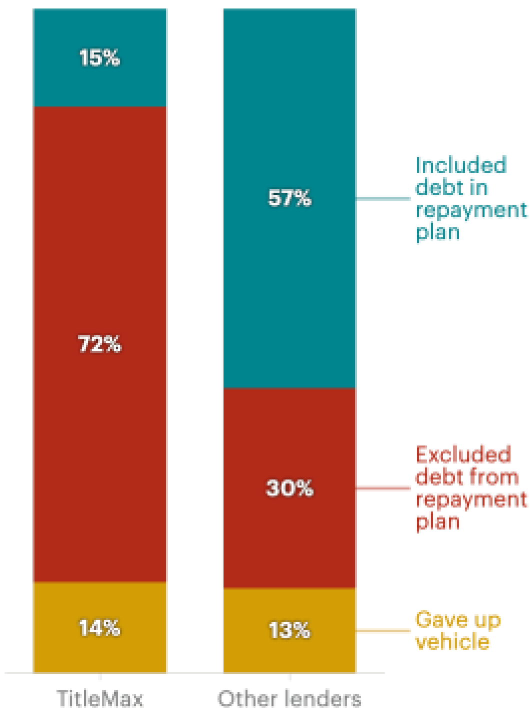
But Cooper's lawyer advised her to not include TitleMax, one of her largest creditors, as part of that repayment plan, which has her paying other creditors at an annual interest rate of about 5%. Instead, she would keep paying TitleMax directly at the original terms of the pawn — around 119% per year.

That's because, in 2017, TitleMax won a key legal battle: A federal appeals court ruled that because the title lending industry in Georgia operates under state pawn shop statutes, companies could sidestep the protections available to debtors in a Chapter 13 bankruptcy.

Before filing for bankruptcy, “it was really hard to get by and feed my kids,” said Cooper, who earns about $2,000 a month working in sales for a regional furniture company based in Blackshear, Georgia. “Now, it’s still really hard.”

Bankruptcy filers rarely get relief from TitleMax

Title lenders in Georgia can sidestep Chapter 13 repayment plans and instead demand repayment at the high interest rate of the original title pawn contract. Here’s how often people who filed for bankruptcy were able to get relief from their title pawn debt.



Note: Percentages based on 142 cases filed from 2020 to 2022 across 14 counties in southern Georgia. Of those, 81 cases involved debts to TitleMax, and 63 involved debts to other title lenders. (Two cases involved debts to both TitleMax and another lender, and those two are counted in both groups.) Numbers for TitleMax don’t add up to 100% due to rounding.

Read the methodology here.

Every year, hundreds of Georgians file bankruptcy while owing money to title lenders. An investigation by *The Current* and ProPublica found that even though the pawn shop loophole applies to all title lenders in Georgia, TitleMax's customers feel its impact the most.

To get a window into this issue, *The Current* and *ProPublica* obtained data on cases involving title lenders that were filed in 14 southern Georgia counties. We identified 142 title pawn cases filed from 2020 to 2022 that had court-approved repayment plans.

An analysis of these cases shows that in more than 70% of bankruptcies filed by its customers, TitleMax had its debt excluded from their repayment plans, allowing the company to seize the car that served as collateral or recoup the full amount owed.

By contrast, debts owed to TitleMax's competitors in Georgia were excluded from about 30% of their customers' repayment plans, the analysis shows. (The news organizations sought bankruptcy case data from all eight of Georgia's Chapter 13 bankruptcy trustees, but only one of them provided the data. For more, see our methodology.)

This difference reflects how proactive TitleMax is in going to court or invoking the legal loophole when the company is included in repayment plans, according to the analysis, as well as interviews with bankruptcy filers, attorneys and trustees.

The company's aggressive legal stance has also led some Georgia bankruptcy attorneys, like Cooper's, to preemptively exclude the company's debt from their clients' repayment plans to avoid fighting what they see as a losing battle.


Elaina Massey, a federal bankruptcy trustee, in downtown Brunswick, GA on June 1, 2023. Nicole Craine for The ProPublica Credit: Nicole Craine for ProPublica

“You hate to see it happen. If you have a TitleMax title loan, you are screwed,” said Elaina Massey, who oversaw the cases analyzed by *The Current* and *ProPublica*. As a bankruptcy trustee, she works with bankruptcy filers, verifies financial information and oversees repayments to creditors.

TMX Finance, the parent company of TitleMax, did not respond to requests for comment.

Bankruptcy experts say the legal loophole wouldn’t exist if it weren’t for a Georgia law that regulates title lenders as pawn shops — particularly a clause stipulating that the pawned property is “automatically” forfeited once the customer defaults.

Georgia and Alabama are the only states that regulate title lenders this way, making them the only places where the appeals court’s ruling is applicable.

Liz Coyle, the executive director of Georgia Watch, the state's leading consumer advocacy group, said she hadn't known about the legal loophole and its impact on debtors until *The Current* and *ProPublica* contacted her about it.

"You're joking. TitleMax can do that?" said Coyle, referring to the company's ability to sidestep Chapter 13 protections. "We already knew how abusive these title lenders are, but this takes it to a whole new level."

Coyle said the legal loophole is yet another reason to pass regulatory reforms for title lenders. Some Georgia lawmakers have been trying and failing for more than two decades to put title lenders under state banking regulation and usury laws.

In their push for reform, lawmakers' primary goal has been to reduce sky-high interest rates that no other financial institution is allowed to charge. But the fact that reform could also have a positive effect for Georgians filing for bankruptcy could help rally more legislators to this cause, said state Rep. Josh Bonner, a Republican from Fayetteville who sponsored the most recent reform bill in March.

"Many of us want to help hardworking Georgians, and this law, as it stands, does not do that," Bonner said of the state's current title lending regulation.

Chapter 13 is particularly prevalent in Georgia, according to federal court data. For the past decade, Georgia has had the most Chapter 13 cases — an average of 23,000 per year — in the nation, despite having a fraction of the population of states like California or Texas. Per capita, Georgia's rate of Chapter 13 filings is nearly triple that of the country as a whole.

Part of Chapter 13's appeal to consumers is that some attorneys will file a Chapter 13 case for little or no money up front, a practice that is particularly common in Southern states like Georgia. Instead, attorneys, like creditors, get paid over the course of a court-approved repayment plan. By contrast, in Chapter 7 bankruptcy — the more common form of bankruptcy in most other states — the attorney fees are typically due before filing.

People who file Chapter 13 cases in Georgia are generally in the same demographic groups that title lenders target for their high-cost, short-term financial product, according to Coyle of Georgia Watch.

As *The Current* and *ProPublica* have reported, the nearly 500 title pawn storefronts in Georgia are disproportionately located in low-income areas and communities of color. Those same areas are home to a disproportionate share of Chapter 13 filers, ProPublica has reported.

Bankruptcy attorneys say that while title pawns may not be the only cause of their clients' bankruptcy, that debt is often a precipitating factor. Clients "are struggling — and they are often struggling due to title loans," said Lorena Saedi, a bankruptcy attorney who runs her own firm in Atlanta. The industry, she said, preys on them, and "by the time I meet them, they have little to no protection."

Title lenders advertise their products as a quick way for people with bad credit to get desperately needed cash. But confusing sales practices and the high interest rates allowed by Georgia law can trap customers in a cycle of debt. Title pawns have a 30-day term, but they can be renewed indefinitely as long as borrowers make the monthly interest payment.

Most title pawns in Georgia take far longer than a month to pay off, including those issued by TitleMax and TMX Finance's other brand, TitleBucks. Our analysis of vehicle liens placed by the two brands from July 2019 through the end of 2021 shows that at least 60% of their title pawns lasted six months or more.

If these recurring payments lead debtors to default, their vehicles could be repossessed, a particularly damaging outcome for the many Georgians who need their car to get to work.

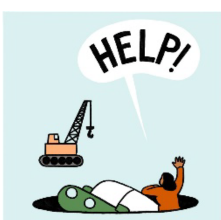
To try to avoid repossession, some debtors turn to Chapter 13 bankruptcy. But that avenue of relief has been severely constrained since TitleMax won its 2017 appeals court case.

Think you can get title pawn relief with Chapter 13 bankruptcy in Georgia? Think again.

- Every year, tens of thousands of Georgia residents who find themselves in financial need turn to title lenders for quick cash.

- Title lenders use the title to the borrower's vehicle as collateral. In Georgia, unlike most states, these transactions are regulated under pawn shop statutes.

- These title pawns can carry much higher interest rates than traditional loans — up to 187% annually.



- Those high payments, coupled with other debts, have forced many Georgians to file for Chapter 13 bankruptcy.

- Chapter 13 keeps a filer's assets from being repossessed and offers a repayment plan, usually with an interest rate of around 5%.

- But those protections weakened in 2017 when TitleMax won a legal battle to change how title pawns are treated in standard Chapter 13 proceedings in Georgia.

- Now even when a borrower has filed for bankruptcy, title lenders can repossess the car or insist on full repayment of the debt, unlike many other creditors.

The company launched its legal case in response to the financial difficulties of a customer in Columbus, Georgia, who had fallen behind on his title pawn and filed for bankruptcy. As was typical in Chapter 13, while the case proceeded, an automatic stay went into effect that prevented creditors like TitleMax from repossessing the debtor's property. The proposed repayment plan had TitleMax being paid back at a 5% annual interest rate.

TitleMax went to court, arguing that when the debtor defaulted, state pawn shop statutes automatically transferred ownership of the car to the company. The bankruptcy judge initially denied TitleMax's motion, ruling that a title pawn was like any other debt that was secured by property, and a federal district court judge affirmed that ruling.

TitleMax appealed to the 11th U.S. Circuit Court of Appeals, which ruled in the company's favor in December 2017. Two of the three judges on the panel agreed with TitleMax's rationale that Georgia law exempted the car from bankruptcy proceedings and made it TitleMax property: "The pawnbroker didn't have a mere 'claim' on the debtor's car — it had the car itself," they wrote.

The third judge dissented, writing that the ruling enabled "Georgia title pawn lenders to invent loopholes in order to evade the jurisdiction of the bankruptcy courts."

Bankruptcy attorneys in the state were taken aback by the ruling, which gave title pawns a unique status. "You know that saying? 'If it looks like a duck and quacks like a duck and walks like a duck, it's a duck.' The 11th Circuit says, 'It looks like a loan, it acts like a loan, but it's not a loan,'" said R. Flay Cabiness, a bankruptcy attorney based in Brunswick, in southern Georgia.

The decision may have ramifications for hundreds of debtors in Georgia each year. By analyzing a random sample of Chapter 13 cases across the state, *The Current* and *ProPublica* estimated that about 2,500 people with title pawn debt filed for bankruptcy between 2020 and 2022. (This covers data for the state, not just Massey's jurisdiction.)

Bankruptcy attorneys across Georgia have various strategies to help their clients discharge title pawn debt.

Smaller title lenders, which make up more than a half of the nearly 500 title pawn stores in the state, generally agree to be included in the court-approved repayment plan, as they don't have the resources to wage protracted legal battles with their customers, said Marc Metts, a Douglas-based attorney who represents debtors in southern Georgia. "Those lenders are local, and these customers are local," he said. "Generally, we can find a way to work together."

TitleMax, however, has a more maximalist standard of operation, bankruptcy attorneys around the state said.

Brandon Honsalek, who practices in the greater Atlanta area, said he puts title pawn debt into repayment plans and then holds his breath waiting to see if TitleMax objects. Recouping every dollar is “a key part of their business strategy” even if it costs them billable hours to do it, he said. “They are the 800-pound gorilla.”

TMX Finance is by far the largest title lender in the state, with more than 200 store locations between TitleMax and TitleBucks. Its brands issue new title pawns for about 47,000 vehicles per year, more than half of all such new pawns issued in the state.

Cabiness, the lawyer in Brunswick, said that in his experience, TitleMax will intervene proactively to protect its rights. He counsels his clients with TitleMax debts to keep paying the company directly throughout their bankruptcy case.

That’s the same advice that Jamal McRae got from his attorney when he filed for bankruptcy last year.

Jamal McRae and his wife, Shaketha, describe themselves as hardworking Georgians, proud landowners in Coffee County, in an area about 130 miles southwest of Savannah near the state’s vibrant Black Belt.

Jamal McRae works for a transportation company that chauffeurs Medicaid patients for doctors’ appointments in larger Valdosta or Savannah. Shaketha McRae works as a tax preparation specialist. But the COVID-19 pandemic was tough on them, as it was on many rural Georgians. They worked fewer hours than they used to, as they had to help care for extended family members in two counties. “We couldn’t keep our heads above water, no matter how hard we worked,” Shaketha McRae said.

In the fall of 2021, expenses started to overwhelm them. Jamal McRae, because of his checkered financial past — he had filed for bankruptcy before — had few options for getting a loan. In November, he went to the TitleMax store in Douglas without telling his wife, whose strong views against the company were well known to him, thanks to her own past experience with it.

A TileMax in downtown Douglas, GA on May 31, 2023. Nicole Craine for The ProPublica Credit: Nicole Craine for ProPublica

McRae took out two title pawn contracts, one for a GMC Yukon, which he used for work, and the other for a motorcycle, which their teenagers rode. The total amount of the title pawns — $8,100 — was more than twice his monthly income. The monthly interest payments alone totaled about $1,100, or nearly a third of his income.

In January 2022, McRae said, the bills — living expenses plus payments for a third family vehicle, on top of the TitleMax debt — became too much. He filed for bankruptcy, hoping to keep his vehicles from being repossessed, a strategy that had worked in his previous bankruptcy.

But McRae's bankruptcy attorney told him that might not be possible. A court-approved repayment plan was created for McRae, but the TitleMax debt wasn't part of it. McRae's attorney told him to keep up with the payments under the original terms — or he would lose the two vehicles to TitleMax, despite the bankruptcy proceedings.

By contrast, McRae got relief on payments for the family's third vehicle, a Toyota sedan, which was financed through a local car dealer. Under the bankruptcy plan, he is now making payments to the dealer at a 5% annual interest rate.

Jamal McRae didn't pay TitleMax for four months while the bankruptcy case was being processed. That prompted the company to file for a motion in May to repossess the two pawned vehicles.

The following month, tragedy rocked the McRae family. Their 19-year-old son, Savion, was shot and killed. Their grief blurred out everything else — including their money problems. In close-knit Douglas, most people knew of their son's death. TitleMax's local store manager offered condolences but not any debt relief, Shaketha McRae said.

The parties struck a deal in August that compelled Jamal McRae to discharge his debt to TitleMax via six monthly payments of $1,677 — far larger payments than creditors in the repayment plan were receiving. But roiling with grief and barely able to get through daily routines, McRae did not make the payments. Later that fall, he told TitleMax's store manager to go ahead and repossess the two vehicles because he didn't have the cash to pay the company.

"It's a horrible feeling. Here we are, still grieving our loss, and all this company cares for is its money," Shaketha McRae said. "I don't know how anyone is supposed to deal with all these pressures."

TitleMax did not respond to requests for comment.

Down the road in Alma, Cooper was facing her own struggles.

Cooper had been taught, both by her parents and at church, that God helps those who help themselves. So she felt ashamed that she had fallen so far into debt, despite living frugally. “I was never someone who prayed for wealth,” Cooper said. Last summer, as bill collectors kept calling, “I was just praying for strength, so I wouldn’t get sick and miss a paycheck,” she said.

Cooper’s family helped her find a bankruptcy attorney. He didn’t try to put her title pawn debt into her repayment plan. He advised her that if she wanted to keep the family’s only car, she should pay off TitleMax at the terms the company demanded. “He said it takes a real wheeler-dealer to win against TitleMax,” she recalled.

Cooper’s court-approved repayment plan will last for three to five years. During that time, she will pay off her other creditors at either a 5% or 4% annual interest rate. Her bankruptcy plan set out $150 monthly payments for those debts and her attorney fees, compared to $337 per month to TitleMax, even though the title pawn debt was less than what she initially owed to the other creditors.

Cooper’s current employer is one of her creditors. She picks up as many shifts as she can to pay for gas and her children’s clothes and school supplies, after deductions made to satisfy her Chapter 13 obligations. Food stamps help offset rising costs and give her hope that she can get rid of the title pawn debt by the end of the year. Her biggest worry is that her aging Ford Escape will break down, leaving her without a way to drive to work.

“We live out in the country. It’s quiet and peaceful. But if my car stops working, then I stop working. I don’t know what would happen to us next if that happened,” Cooper said.

Cooper wants to stay in Alma, a town of about 3,000 that is known as the blueberry capital of Georgia. The quiet, the safety and the sense of community she has in her hometown makes her want to raise her kids there.

Staying in the country, though, comes with limitations, Cooper says. There are few high-paying jobs for people with young families like hers, and few opportunities for economic mobility. For now, her planning remains focused on the short term: working through her debt and managing the uncertainties of raising her rambunctious kids.

“I was scared when I filed for bankruptcy. But I knew that if I was going to make it in this world, it was my only option,” Cooper said. “One thing is for sure, for people like us, we have a lot of chips stacked against us.”

Illustrator Laila Milevski was the Scripps Howard Illustrator and Visual Journalism Fellow at ProPublica. ProPublica is a Pulitzer Prize-winning investigative newsroom. Sign up for The Big Story newsletter to receive stories like this one in your inbox.

How we measured the title lending industry in Georgia

Finding data on scope of state's title pawn businesses, effects took months of effort

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When *The Current GA* and *ProPublica* began investigating the title lending industry in Georgia, we faced a daunting question: How do we measure an industry that nobody is tracking?

This story also appeared in ProPublica

Title lenders provide quick cash in exchange for a car title as collateral. Many consumer advocates see the practice as predatory — title pawns, as they are known in Georgia, typically carry high interest rates, and borrowers can lose their car if they default. More than 30 states ban high-interest title lending entirely, but the industry is widespread in Georgia.

Title lenders in Georgia are considered pawn shops, a classification that exempts them from most state oversight and allows them to circumvent the state's usury laws and charge up to 187.5% annual interest. While most financial institutions are regulated by the state's Department of Banking and Finance, pawn shops are licensed by local governments, which have limited resources to monitor them.

State lawmakers on both sides of the aisle have tried for years to rein in title lending. But they have been stymied by the industry's powerful lobbying efforts and by a lack of information.

Measuring the scope of the industry

To fill in the gaps, *The Current GA* and *ProPublica* started with a simple, but essential, task: counting the number of title lenders in the state.

Because there is no official statewide list of stores that offer “title pawns,” we turned to Google Maps and corporate websites. Ultimately, we found nearly 500 title pawn store locations, which span the majority of Georgia’s 159 counties.

We also found that these stores are disproportionately located in lower-income ZIP codes and those with higher proportions of people of color. These groups — who are more likely to lack access to other forms of credit — are the target customers for the title lending industry. Title lenders argue that they provide an essential service for communities that are underserved by other lenders, while critics say they ensnare these vulnerable borrowers in high-interest debt traps.

The Current GA and *ProPublica* also set out to measure the volume of title pawns in the state. While some states require title lenders to report how many loans they make, Georgia’s pawn shop statutes include no such mandate for statewide reporting.

But we identified an indirect way of tracking title pawns issued in the state: When customers take out title pawns, a lien is placed on their vehicle title, which gives the title lender an ownership interest that they can use to repossess the vehicle if customers default. This lien is registered with the Georgia Department of Revenue’s motor vehicle division.

After a series of discussions with the agency’s staff and filing multiple public records requests, we acquired a list of all electronic liens issued in the state from July 2019 through June 2022. Electronic liens accounted for around 95% of all liens issued in Georgia during this period. (The remaining 5% were handled with physical paperwork and tracked differently than the electronic liens.)

We cross-referenced the lienholders’ names and addresses in the data with our list of title lending store locations. During the three-year period, we found that Georgia title lenders placed liens on an average of more than 75,000 vehicles annually, and more than 60% of that volume came from TitleMax and TitleBucks, both operated by the Savannah-based TMX Finance, the largest title lender in the nation. These tallies likely underestimate how many title pawns are made, since the data we received only indicates the first electronic lien on a car from a specific lender and excludes cases where return customers received subsequent title pawns on the same vehicle from the same store.

The longer title pawns last, the higher the cost of borrowing: Even though title pawns have a 30-day term under state law, they can be renewed indefinitely as long as borrowers make the monthly interest payment. Unlike some other states that allow title lending, Georgia has no requirement that contracts can only be extended after portions of the principal balance are paid down.

After borrowers pay off title pawn debt or title lenders repossess the vehicle, the lien is removed from the title. By measuring the time from when the lien was issued to when it was removed, we could see about how long the borrowers were in debt. (It may take several days for the lien to be put in place after title pawn is issued and may similarly take some time for the lien to be removed after it is paid off.)

We found that at least 60% of the liens issued by TitleMax and TitleBucks from July 2019 through the end of 2021 were in place for six months or longer.

Our analysis may underestimate how long some customers were in debt because in certain circumstances electronic liens may be converted into paper liens, and the data we received only included the dates the liens were removed from the electronic system. It's possible that in some cases a paper lien remained on the title after it was removed from the electronic system.

TMX Finance, the parent company of TitleMax, did not respond to requests for comment.

The impact of a legal loophole

Faced with title pawn payments and other debts, some customers turn to bankruptcy as a last resort. Yet even in bankruptcy court, title lenders in Georgia have the upper hand.

In 2017, a federal appeals court ruling gave title lenders in the state a powerful legal loophole that allows them to demand that title pawns be repaid at their original high interest rates, instead of being subject to the lower-interest-rate repayment plans created in Chapter 13 bankruptcy proceedings. The ruling was based on the same state pawn shop laws that have enabled the industry to operate with little oversight.

Even though the loophole applies to all title lenders in the state, bankruptcy lawyers across Georgia told us that TitleMax customers feel its impact the most.

We wanted to get a broader picture of how this issue was affecting Georgians, but little information was publicly available about bankruptcies involving title lenders, so our first step was to identify which bankruptcy cases they're involved in.

The federal electronic court record system, known as PACER, has information on which creditors are involved in a given bankruptcy case. But PACER charges a fee for every document viewed and cannot be comprehensively searched by creditor list, making it impractical for identifying every bankruptcy case with a title lender.

So *The Current GA* and *ProPublica* reached out to Georgia's eight Chapter 13 bankruptcy trustees, who help facilitate bankruptcy cases and maintain data on cases within their jurisdiction. We received data from one bankruptcy trustee, Elaina Massey, whose jurisdiction covers 14 counties in southern Georgia: Appling, Atkinson, Bacon, Brantley, Camden, Charlton, Coffee, Glynn, Jeff Davis, Long, McIntosh, Pierce, Ware and Wayne. The data she sent us included Chapter 13 cases — a type of bankruptcy that puts the debtor on a repayment plan — where a title lender appeared as a creditor. These cases were identified by using searches for keywords including "title pawn" and the names of title lending companies.

We manually reviewed each case filed from 2020 to 2022 to determine whether title pawn debt was assigned to be paid through the repayment plan.

When title pawn debt is included in a bankruptcy plan, it can reduce the debtor's burden significantly — debt paid through the plan during this period often had an annual interest rate of around 5%, while a title pawn paid outside the plan is likely subject to the initial contract terms, which can have an interest rate as high as 187.5% annually.

It can take several months for a repayment plan to be confirmed by a judge after the case is initially filed, and some cases are dismissed before the repayment plan is confirmed. Cases where the repayment plan was not confirmed by a judge as of April 2023 were excluded from the analysis.

Occasionally, a bankruptcy case listed a title lender as a creditor even though there wasn't an active title pawn at the time of filing. These cases were excluded as well.

We grouped each case into one of three categories: ones where title pawn debts were included in the repayment plan, where title pawn debts were excluded from the repayment plan, or where the debtor gave up the vehicle. For the third category, it is generally unclear whether the debtor would have paid the title pawn through or outside the repayment plan.

The analysis included 142 cases total, two of which involved debt from TitleMax or TitleBucks along with debt from another title lender. In 58 of the 81 cases with debts from TitleMax, the debt was excluded from the repayment plan, meaning that the debtor was subject to the terms of the original title pawn contract. By contrast, title pawn debt was excluded from the plan in only 19 of the 63 cases involving other lenders.

In cases where the debt was excluded from the bankruptcy plan, court documents do not show whether the title lender negotiated a lower interest rate or other changes to the repayment terms outside of court. It also may not be clear from the court documents whether the debtor ultimately paid off the title pawn through direct payments or had their car repossessed.

We were also curious how many Georgians filing for bankruptcy were burdened by title pawn debt, and therefore how many people might be impacted by this loophole statewide.

To estimate this, we conducted a random sample of 1,000 Chapter 13 cases filed in Georgia from 2020 to 2022. Case numbers were sampled from the Federal Judicial Center's bankruptcy database, which lists every bankruptcy case filed nationwide (but does not include creditor information). Then, we programmatically compiled creditor lists from the corresponding cases in PACER.

Of the 1,000 cases sampled, *The Current GA* and *ProPublica* found 64 cases where title lenders were listed as creditors, or 6.4%. We counted all cases that included title lenders as creditors, regardless of how the debt was treated in the plan.

Extrapolating across the roughly 39,000 cases filed during this period in Georgia, we estimated that roughly 2,500 bankruptcy cases involved title lenders from 2020 to 2022, with a margin of error of 600 cases, based on a 95% confidence interval. This time period coincided with a significant nationwide decline in bankruptcy filings during the pandemic, and therefore this estimate may be an undercount if the volume of bankruptcies return to their pre-pandemic levels in the future.