Texas Fair Lending Alliance

Faith Leaders 4 Fair Lending

Texans Deserve Consumer Lending Reform!

The Texas Constitution prohibits lenders from charging more than 10% interest, but payday and auto title loan businesses have found a loophole that allows them to operate as "loan brokers" under the Credit Services Organizations Act. **Consequently, Texas has no limit on loan size or total charges for payday and auto title loans.**

Payday and Auto Title Loans vs. Other Loan Options: 6-month, $500 loan

Estimated Annual Percentage Rate (APR)	Loan Type	Loan Amount	Finance Charges	Total Repayment
18%	Bank/Credit Union	$500	$27	$527
100%	Finance Company	$500	$155	$655
500%	**Payday/Auto Title Loan**	**$500**	**$813**	**$1,313**

Texas: Same Products, Higher Fees

Compared to borrowers in other high-rate states, Texans pay about double the fees for a two-week $500 payday loan. Texas is one of only a handful of states with no cap on payday and auto title loan charges.

OKLAHOMA **$65** IN FEES

FLORIDA **$55** IN FEES

TEXAS **$116** IN FEES

Predatory Loans Trap Texans in a Cycle of Unaffordable Debt

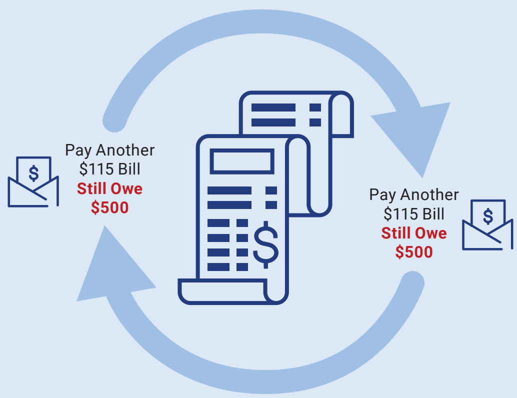
Payday and auto title loans are outrageously priced, averaging **500% APR for payday loans** and **200-400% APR for auto title loans** and are offered to individuals with little consideration of their ability to repay the loans.

The high cost and structure of payday and auto title loans trap borrowers in a cycle of debt where they continuously pay fees and interest **— but never pay down the loan.**

These products are marketed to consumers as short-term loans, but the business model relies on the cycle of debt **— trapping borrowers in debt at these rates for at least a year.**

The Cycle of Debt

Fee based on a $500 Two-Week Loan



Every 2 Weeks

Predatory loans harm the Texas economy by:

- Forcing bankruptcies and bank account closures
- Straining local nonprofit and faith-based charitable assistance
- Exacerbating financial harms for Texans already facing high inflation rates and struggling to make ends meet

In the last 10 years, payday and auto title loans have resulted in a loss of $1.6 billion in annual gross product due to a decrease in business activity and an average loss of more than 2,100 jobs per year in Texas.

$1.6 BILLION
ANNUAL GROSS PRODUCT LOSS

2,100
JOBS LOST PER YER

Take Action Now!

Support economically-just initiatives to invest in the financial health and future of Texas.

- Protect local city ordinances that mitigate the cycle of debt and support statewide expansion of ordinance standards. Ordinances have been adopted in 49 Texas cities. The ordinances:
  - » Limit the size of loans based on the borrower's income
  - » Establish a limit of 4 payments
  - » Ensure the loans are paid off after 4 payments by requiring that each payment reduce the total owed by 25%
- Support a 36% annual percentage rate and fee cap for payday and auto title loans.

TOGETHER, WE CAN STRENGTHEN TEXAS FAMILIES AND THE ECONOMY!

Contact Us

TFLA is a coalition of of more than 60 organizations and individuals working to transform the Texas consumer lending market from one based on a cycle of debt to one that thrives on a cycle of success.

Texas Faith Leaders for Fair Lending is a coalition of community and faith leaders who support regulatory and legislative reforms to protect vulnerable Texans from high-cost loans and promote financial wellbeing.

Texas Fair Lending Alliance | **www.TexasFairLending.org**

Texas Faith Leaders for Fair Lending | **john.litzler@texasbaptists.org** or **Shannon@txcatholic.org**

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