Refinances and High Fees Drive Costs

Payday and auto title businesses in Texas offer two main loan types: single payment loans, due in full in 2 weeks or 1 month, and installment loans, due in a series of payments over a period of up to 6 months. Longer loan terms mean installment loans have fewer refinances, but even higher fees.

- In the Beaumont MSA, refinances make up more than 63% of single payment loan transactions.
- On average, installment borrowers paid $2.05 in fees for every dollar borrowed. The dollar amount of fees for all installment loans increased by 41% from 2012 to 2013. Fees for installment payday loans increased by 60%.
- Across all four loan types, the average cost to repay a $500 loan with no refinances is $611 to $1,361. For borrowers who refinance, the average cost to repay a $500 loan can reach over $3,000. Average APRs for payday and auto title loans in the Beaumont MSA range from 302% to 525% (see table on back).
New Trend: Installment Payday Loans

Installment payday loans made up 8% of dollars lent for all types of loans in 2013, but 26% of total fees, indicating that this product is a huge fee driver. Depending on the loan terms, fees for one installment loan are often the same as the fees charged for 5 to 12 single payment loan transactions.