Refinances and High Fees Continue to 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. Fees for one installment loan are often the same as fees charged for 5 to 12 single payment loans.

- In the Waco MSA, refinances make up 57% of single payment loan transactions.
- On average, installment borrowers paid $267 for every $100 borrowed.
- Across all four loan types, the average cost to repay a $500 loan with no refinances is $600 to $1,380. 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 Waco MSA range from 188% to 535% (see table on back).

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## Payday and Auto Title Lending in Texas

### Waco MSA at a Glance: Profile of Loan Terms and Repayment, $500 Loan

<table>
<thead>
<tr>
<th></th>
<th>Installment Payday</th>
<th>Single Payment Payday</th>
<th>Installment Auto Title</th>
<th>Single Payment Auto Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Loan Term (Days)</strong></td>
<td>168</td>
<td>19</td>
<td>163</td>
<td>30</td>
</tr>
<tr>
<td><strong>Average Fees per $100</strong></td>
<td>$171.44</td>
<td>$22.72</td>
<td>$110.27</td>
<td>$19.10</td>
</tr>
<tr>
<td><strong>Ave. Annual Percentage Rate (APR)</strong></td>
<td>535%</td>
<td>446%</td>
<td>372%</td>
<td>188%</td>
</tr>
<tr>
<td><strong>Amount Repaid with No Refinances</strong></td>
<td>$1,380.23</td>
<td>$616.21</td>
<td>$1,073.70</td>
<td>$599.57</td>
</tr>
<tr>
<td><strong>Ave. % of Borrowers Who Refinance in Same Quarter They Take Out a Loan</strong></td>
<td>7.71%</td>
<td>34.34%</td>
<td>13.34%</td>
<td>49.93%</td>
</tr>
<tr>
<td><strong>Average Refinances per Borrower</strong></td>
<td>4.11</td>
<td>4.50</td>
<td>5.10</td>
<td>4.73</td>
</tr>
<tr>
<td><strong>Amount Repaid with Ave. Refinances</strong></td>
<td>$4,996.60</td>
<td>$1,139.55</td>
<td>$3,999.21</td>
<td>$1,070.31</td>
</tr>
<tr>
<td><strong>Refinances as Percent of Total Number of Loan Transactions</strong></td>
<td>19%</td>
<td>52%</td>
<td>38%</td>
<td>66%</td>
</tr>
</tbody>
</table>

### Overall Market Continues to Shrink; Installment Auto Title Loan Fees Increase

The total dollar value of new loans, fees, and refinances decreased by 28% from 2015 to 2016. During the same time period, new loans decreased by 23%, fees decreased by 22%, and refinances fell by 34%. The number of vehicles repossessed by auto title lenders decreased by 22%. The market share of installment lending continued to grow. Installment payday and auto title lending made up 40% of the total dollars lent and 78% of total fees in 2016, compared to 28% of dollars lent and 64% of fees in 2015. Installment auto title lending saw sharp growth in fees. While the dollar value of new installment auto title loans increased by 6%, fees jumped by 22%.

### Waco MSA

#### 2016 Comparison of Total Dollars Lent to Total Fees

- **% of Total Dollars Lent**
  - Installment Payday: 28%
  - Single Payment Payday: 40%
  - Installment Auto Title: 12%
  - Single Payment Auto Title: 20%

- **% of Total Fees**
  - Installment Payday: 26%
  - Single Payment Payday: 7%
  - Installment Auto Title: 15%
  - Single Payment Auto Title: 52%

Source: Texas Appleseed analysis of Texas Office of Consumer Credit Commissioner 2015 and 2016 Credit Access Business Quarterly and Annual Data Reports. Store location data is based on the Office of Consumer Credit Commissioner CAB licensing data for November 2016, and includes only active licensed locations in Texas.