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.

- In the Houston MSA, refinances make up 69% of single payment loan transactions.
- On average, installment borrowers paid $1.61 in fees for every dollar borrowed.
- Across all four loan types, the average cost to repay a $500 loan with no refinances is $588 to $1,360. 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 Houston MSA range from 213% to 559% (see table on back).

Source: Texas Appleseed analysis of Texas Office of Consumer Credit Commissioner 2014 and 2015 Credit Access Business Quarterly and Annual Data Reports. Store location data is based on the Office of Consumer Credit Commissioner CAB licensing data for December 2015, and includes only active licensed locations in Texas.
Overall Market Shrinks. Installment Payday Loans Remain Top Fee Driver

From 2014 to 2015, there were declines in the dollar amount of new loans (13.5%), refinances (10.3%), and fees (.5%). The annual percentage rate charges across all products declined except for single payment payday loans, which increased from an average of 539% APR in 2014 to 559% APR in 2015. Installment payday loans continued to hold the largest percent share of fees, making up 10% of the dollars lent, but 35% of the total fees collected. Depending on the loan terms, fees for one installment loan are often the same as fees charged for 5 to 12 single payment loan transactions.