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 McAllen MSA, refinances make up 69% of single payment loan transactions.
- On average, installment borrowers paid $1.23 in fees for every dollar borrowed.
- Across all four loan types, the average cost to repay a $500 loan with no refinances is $589 to $1,172. 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 McAllen MSA range from 232% to 440% (see table on back).
Increase in Installment Payday and Auto Title Lending Spurs Higher Fees

The dollar amount of new loans decreased by 2.4% from 2014 to 2015, while refinances held steady and fees jumped by 28%. Growth in installment payday and auto title loans was responsible for the jump in fees. Installment payday loans increased from 5% to 7% of the total dollars lent from 2014 to 2015 and from 14% to 17% of the total fees. Installment auto title lending increased at a higher rate, more than doubling from 4% of total dollars lent in 2014 to 9% in 2015. The percent of total fees from installment auto title loans almost tripled, from 10% in 2014 to 27% in 2015. During the same time period, the average cost of installment payday loans increased from 379% APR to 439% APR, and installment auto title loans increased from 254% APR to 261% APR. 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.

McAllen 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>Average Loan Term (Days)</td>
<td>165</td>
<td>19</td>
<td>175</td>
<td>28</td>
</tr>
<tr>
<td>Average Fees per $100</td>
<td>$129.99</td>
<td>$22.40</td>
<td>$78.40</td>
<td>$17.03</td>
</tr>
<tr>
<td>Ave. Annual Percentage Rate (APR)</td>
<td>439%</td>
<td>440%</td>
<td>261%</td>
<td>232%</td>
</tr>
<tr>
<td>Amount Repaid with No Refinances</td>
<td>$1,172.49</td>
<td>$614.59</td>
<td>$916.05</td>
<td>$589.01</td>
</tr>
<tr>
<td>Percent of Borrowers Who Refinance (Ave. of Quarterly Rates)</td>
<td>12.42%</td>
<td>56.80%</td>
<td>5.70%</td>
<td>57.11%</td>
</tr>
<tr>
<td>Average Refinances per Borrower</td>
<td>4.19</td>
<td>6.41</td>
<td>7.09</td>
<td>5.33</td>
</tr>
<tr>
<td>Amount Repaid with Ave. Refinances</td>
<td>$3,989.31</td>
<td>$1,349.08</td>
<td>$3,867.66</td>
<td>$1,063.78</td>
</tr>
</tbody>
</table>

McAllen MSA

2015 Comparison of Total Dollars Lent to Total Fees

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.