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 McAllen MSA, refinances make up 67% of single payment loan transactions.
- On average, installment borrowers paid $272 for every $100 Numbers may not add up to 100%
- Across all four loan types, the average cost to repay a $500 loan with no refinances is $584 to $1,280 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 212% to 483% (see table on back).

Source: Texas Appleseed analysis of Texas Office of Consumer Credit Commissioner 2016 and 2017 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 2017, and includes only active licensed locations in Texas.
Payday and Auto Title Lending in Texas

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>164</td>
<td>19</td>
<td>164</td>
<td>29</td>
</tr>
<tr>
<td>Average Fees per $100</td>
<td>$151.48</td>
<td>$22.69</td>
<td>$108.32</td>
<td>$16.07</td>
</tr>
<tr>
<td>Ave. Annual Percentage Rate (APR)</td>
<td>483%</td>
<td>446%</td>
<td>366%</td>
<td>212%</td>
</tr>
<tr>
<td>Amount Repaid with No Refinances</td>
<td>$1,279.87</td>
<td>$616.08</td>
<td>$1,064.10</td>
<td>$584.32</td>
</tr>
<tr>
<td>Ave. % of Borrowers Who Refinance in Same Quarter They Take out a Loan</td>
<td>10.40%</td>
<td>54.51%</td>
<td>7.90%</td>
<td>46.47%</td>
</tr>
<tr>
<td>Average Refinances per Borrower</td>
<td>4.01</td>
<td>6.83</td>
<td>5.95</td>
<td>6.95</td>
</tr>
<tr>
<td>Amount Repaid with Ave. Refinances</td>
<td>$4,409.09</td>
<td>$1,408.83</td>
<td>$4,422.58</td>
<td>$1,169.95</td>
</tr>
<tr>
<td>Refinances as Percent of Total Number of Loan Transactions</td>
<td>23%</td>
<td>66%</td>
<td>28%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Overall Market Volume Continues Decline; Installment Loans Generate High Fees

The total value of new loans, fees, and refinances decreased by 9% from 2016 to 2017. During that same period, the dollar value of new loans increased by 5%, refinances fell by 29%, and fees increased by 16%. There was an 11% decrease in the number of vehicle repossessions by auto title lenders, but the repossession rate held steady at 9%. The proportion of the dollar amount of new loans for installment payday and auto title loans increased from 21% of the market in 2016 to 33% in 2017. There also was a jump in the fees collected for installment payday and auto title loan, increasing from 56% in 2016 to 77% in 2017 of all fees collected. Installment auto title lending was the largest fee driver, making up 42% of all fees collected in 2017.

McAllen MSA

2017 Comparison of Total Dollars Lent to Total Fees

- % of Total Dollars Lent:
  - Installment Payday: 26%
  - Single Payment Payday: 14%
  - Installment Auto Title: 19%
  - Single Payment Auto Title: 40%

- % of Total Fees:
  - Installment Payday: 42%
  - Single Payment Payday: 17%
  - Installment Auto Title: 35%
  - Single Payment Auto Title: 6%

Numbers may not add up to 100% due to rounding error.

Source: Texas Appleseed analysis of Texas Office of Consumer Credit Commissioner 2016 and 2017 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 2017, and includes only active licensed locations in Texas.