



Texas Fair Lending Alliance

Why Texas Needs Payday and Auto Title Lending Reform NOW

Texas has a history of protecting its citizens from unscrupulous lenders marketing products with exorbitant fee and interest rates. While usury protections are built into the Texas Constitution and have been credited with helping save Texans from the worst kind of economic crisis, **unfortunately, because of a loophole, payday and auto title lenders can evade the state’s usury protections** by operating as “loan arrangers” under the Credit Services Organizations Act (CSO Act). As a result, **Texas has no limit on loan size or total charges for payday and auto title loans.**

How Payday and Auto Title Loans Compare to Other Loans
Six-Month \$500 Loan

Est. Annual Percentage Rate	Loan Type	Loan Amount	Finance Charges	Total to Repay
18%	Bank/Credit Union	\$500	\$27	\$527
100%	Finance Company	\$500	\$155	\$655
600%	Payday/Auto Title	\$500	\$1,140	\$1,640

COVID CRISIS HAS INCREASED THE URGENCY FOR HIGH-COST LENDING REFORM IN TEXAS

When COVID-19 hit, nearly 3 million Texas households were already one emergency away from financial crisis — a 10-year record high — setting the stage for the unprecedented economic impact of the crisis.

Texans disproportionately impacted by the pandemic and winter storm are also the most at risk of falling the payday and auto title loans:

- Households earning \$50,000 or less;
- Black and Latino Texans; and
- Women-led households.



REINING IN THE DEBT TRAP WILL HELP TEXANS REBUILD FROM THE DUAL COVID AND WINTER STORM CRISES

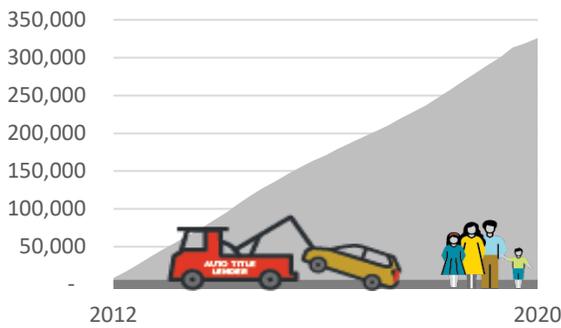
In 2019, as many as 60% of Texas borrowers had to refinance their loans FIVE OR MORE TIMES, trapping some borrowers in debt for two years or more at rates of 200% to 500% APR. Nearly 1 in 5 Texans who took out an auto title loan had a car repossessed by the auto title lender, in many cases after paying more in fees than the original loan.



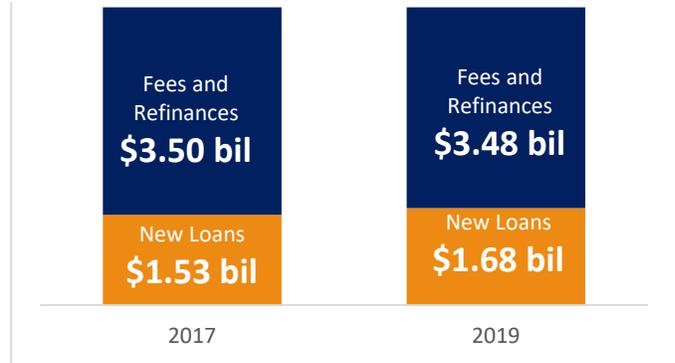
For borrowers who refinance, average cost to repay a \$500 loan ranges from \$1,100 to over \$4,100.

From 2012 to 2019, payday and auto title loan operations collected **\$13.2 billion in fees** from struggling Texas families. This money could have gone towards family needs and local businesses instead of being **drained away for 500% plus APR loans.**

Texans have lost 326,287 cars—repossessed by auto title lenders. Total repossessions, Q1 2012-Q3 2020



High Fees and Refinances Make Up Around 70% of the Payday and Auto Title Loan Market



V.G.'S STORY

Veteran, San Antonio Texas—May, 2020

As a Disabled Veteran who was unemployed unfortunately for nearly 3 years, I took out a title loan for around \$1,500. I was really down and out, suffering from PTSD... [The auto title lender was] more than willing to help me with a loan, I walked out with a \$10,000 line of credit for my 2009 Toyota Tundra. They called me at least twice weekly urging me to take on more and more, to which naively I did. When I couldn't pay, in the middle of the night, like thieves, they repossessed my truck...

These lenders are predators, they realize you're having money problems and they continue to prey upon you. I had never been in this situation before. I ended up losing my wife and was nearly homeless as a side effect of their predatory practices. I ask lawmakers, Consumer Protection Agency and possibly law enforcement please act and control these loan sharks from preying upon people who are down and out. I served my country in combat and have lost nearly everything I care about. I can understand 15%—20% APR loans but 150%-200% is really criminal.

PAYDAY AND AUTO TITLE LENDING HURTS THE STATE ECONOMY



[1] League of Women Voters of Texas Education Fund, Payday & Auto Title Loans in Texas: A Study by League of Women Voters of Texas Education Fund, 4 (Aug. 2015).

A 2015 study found that payday and auto title lending in Texas led to an estimated net loss of **\$351 million** in economic value and a loss of **7,375 jobs**.

There is additional stress on local charities and faith-based groups who have reported **nearly 20% of their cash assistance** going to families in financial crisis due to payday or auto title loan. **Many of these borrowers**, as a result of the unaffordable loans, **have been evicted, lost cars they once owned free and clear, and cannot afford basic needs for their families**, causing them to depend on government assistance.

Payday & Auto Title Loans negatively impact the Texas taxpayer!

TAKE ACTION!

- **Uphold Current Protections:**
 - Support local payday and auto title loan ordinance adopted in 46 Texas Cities
 - Maintain Existing Rate and Fee Caps for Consumer Loans
- **Adopt Rate & Fee Caps for Uncapped Payday and Auto Title Loans**

THESE ACTIONS STRENGTHEN TEXAS FAMILIES AND ECONOMY