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**Media Contact:**  
Kelli Johnson, Texas Appleseed  
[kjohnson@texasappleseed.net](mailto:kjohnson@texasappleseed.net)  
512.473.2800, ext. 103

## **New Data Documents the Practices Payday Lenders Use to Bypass the Military Lending Act**

*New DOD MLA proposed rules will protect troops from predatory lending, Veterans remain susceptible*

AUSTIN, Texas — The Department of Defense made great strides today strengthening protections for active duty military service members against predatory lenders under the Military Lending Act. Yet millions of veterans are not protected under the law and remain vulnerable.

These [proposed rules](#)<sup>1</sup> are particularly important for Texas because of the loopholes that payday and auto title businesses have used to circumvent existing protections. Texas has among the highest number of active military personnel, according to the [latest census data](#)<sup>2</sup> available. The DOD reports that Texas is one of 11 states that allow payday lenders to bypass the current protections of the MLA.

“Texas has some of the weakest laws in the U.S. to rein in abuses by payday and auto title businesses, so we commend the DOD for taking the necessary actions to protect borrowers, and we strongly encourage final adoption of the rules,” said Ann Baddour, senior policy analyst at Texas Appleseed.

### **New Research: Site Visits of Payday and Auto Title Locations**

Texas Appleseed releases for the first time its topline research that documents the loopholes that Texas payday and auto title businesses use to bypass the 2007 MLA protections. These protections establish a 36 percent annual percentage rate cap for payday loans of 91 days or less and auto title loans of 181 days or less.

Over the past year, Texas Appleseed visited 33 payday and auto title store locations around three major military installations in Texas: Ft. Hood, Ft. Bliss and Randolph Air Force Base. Our findings support the need for the stronger protections included in the DOD’s proposed rules.

- Payday and auto title businesses, many of which offer loans at 500 percent APR or higher, continue to cluster around military installations in Texas.
- Texas Appleseed documented five businesses — some of the largest in Texas — that offer payday or auto title loan products that are not covered by the current Military Lending Act protections.
  - Four offer installment payday loans, with terms of 160-180 days, and average APRs of 510 percent.
  - One offered a 12-month auto title loan at 99 percent APR.
- Texas Appleseed also saw active marketing to the military by payday businesses, particularly around Ft. Hood, with two large signs stating “Military Welcome.”

### **New Findings: Veterans and Small-Dollar Loan Locations**

The proposed new MLA protections would address the major loopholes Texas Appleseed sees on the ground in Texas, but they do not extend to veterans. Texas’ veteran population is more than 1.6 million,

trailing only California, according to the U.S. Census Bureau's data for 2008-2012. Killeen, Texas, has one of the [highest concentrations of veterans](#)<sup>3</sup> in the nation.

[New research](#)<sup>4</sup> by Texas Appleseed, which provides a first look at payday and auto title stores locations around veterans' facilities, shows that 82 percent of zip codes that have a veterans' facility also have one or more payday or auto title businesses in the same zip code. Statewide, approximately one-quarter of all zip codes have payday or auto title businesses. Nearly half (48 percent) of the veterans' facilities in Texas have five or more payday and auto title lending locations within the same zip code ([see interactive state map](#)<sup>5</sup>). The research also names the top three Texas cities with the highest concentrations of payday and auto title lending locations in the same zip code as a VA facility: Harlingen (21 locations), El Paso (20 locations) and San Antonio (covering three zip codes, one with 16 locations and one with 14 locations).

"Until we enact comprehensive reforms to end the payday and auto title debt trap and foster a consumer credit market that encourages borrower success, we will continue to do a disservice to our veterans, our families and the individuals who are struggling to get by," said Baddour.

Texas Appleseed participated in a [public comment period](#)<sup>6</sup> assessing the need for stronger rules under the MLA. The public comment period was followed by an [April 2014 DOD report](#)<sup>7</sup> that documented that financial education alone is not enough to protect service members. Lenders used deceptive advertising coupled with low-quality small-dollar loans to trap military families in a cycle of debt.

### **About Texas Appleseed**

Texas Appleseed is a nonprofit organization that has been helping vulnerable Texans for 18 years. Texas Appleseed's mission is to promote social and economic justice for all Texans by leveraging the skills and resources of volunteer lawyers and other professionals to identify practical solutions to difficult, systemic problems. For more information, visit [TexasAppleseed.net](http://TexasAppleseed.net) or [TexasFairLending.org](http://TexasFairLending.org).

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<sup>1</sup> <http://www.defense.gov/releases/release.aspx?releaseid=16954>

<sup>2</sup> <http://www.census.gov/compendia/statab/2012/tables/12s0508.pdf>

<sup>3</sup> <http://www.census.gov/how/infographics/veterans.html?%C3%83%C2%A2%C3%A2%E2%80%9A%C2%AC%C3%A2%E2%80%9E%C2%A2%20on%20U>

<sup>4</sup> [http://www.texasappleseed.net/index.php?option=com\\_docman&task=doc\\_download&gid=1171&Itemid=](http://www.texasappleseed.net/index.php?option=com_docman&task=doc_download&gid=1171&Itemid=)

<sup>5</sup> <https://www.google.com/maps/d/viewer?mid=zgclWAEmxgKM.kJlvJZ9GuVgo>

<sup>6</sup> [http://www.texasappleseed.net/index.php?option=com\\_docman&task=doc\\_download&gid=1169&Itemid=](http://www.texasappleseed.net/index.php?option=com_docman&task=doc_download&gid=1169&Itemid=)

<sup>7</sup> [http://consumerfed.org/pdfs/140429\\_DoD\\_report.pdf](http://consumerfed.org/pdfs/140429_DoD_report.pdf)