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## **New Data Trends Report on Payday and Auto Title Loans Shows Texas Borrowers Hit with Growing Fee Charges and Increasing Vehicle Repossessions**

*Analysis of four years of state data shows 34 percent growth in fees, despite decline in new loan volumes; 1 in 7 auto title borrowers lose vehicles*

AUSTIN, Texas — With proposed payday and auto title lending rules from the Consumer Financial Protection Bureau on the horizon, Texas Appleseed, a public interest justice center that works to balance the scales of justice for Texas families, has published a white paper analyzing four years of state payday and auto title lending data starting in 2012 through the newly released 2015 state data. The market picture supports the need for reforms at the city, state and federal level.

“Though the data show improvements in some parts of the state, Texas families overall are paying higher fees for fewer loans,” said Ann Baddour, director of Texas Appleseed’s Fair Financial Services project. “Auto title borrowers are refinancing at higher rates and are more likely to lose their cars.”

The analysis examined four loan types typically found at payday and auto title loan locations: single payment payday, installment payday, single payment auto title and installment auto title.

**Top Data Findings:**

- This four-year analysis shows a shifting loan market driven by high fees and refinances.
  - From 2012 to 2015, there was a 34 percent growth in fees across all loan products, despite a 9 percent drop in new loan volume.
  - In 2015, across all loan products, new loans made up just 29 percent of the total market volume, while fees and refinances made up 71 percent — a trend that has stayed fairly consistent over the past four years.
  - While the single payment payday loan market declined — from 64 percent of the market in 2012 to 39 percent in 2015 — installment payday lending increased, leading to higher fees paid by borrowers.
  - The share of auto title lending in the Texas market grew from 25 percent in 2012 to 34 percent in 2015.
  
- A closer look at the different loan products shows that while single payment loan volume is driven by refinances, fee charges drive the installment lending market.

- Refinances alone comprised 55 percent of the single payment loan volume in 2015, while fees comprised 53 percent of the installment volume.
  - In 2015, new single payment auto title loans totaled \$353 million while refinances reached over \$1 billion.
  - Installment payday lending fees increased by 225 percent from 2012 to 2015 — from \$254 million to \$827 million — nearly twice the rate of the dollar value of new loans, which increased by 122 percent during the same period.
  - In 2015, a \$500 installment payday loan cost borrowers at least \$1,300 to repay — similar to the cost of a single payment payday loan with an average of five to six refinances.
- Auto tile loan repossessions are on the rise.
    - In 2012, including both single payment and installment auto title loans, 1 in 10 borrowers lost a car to repossession. In 2015, it was 1 in 7.
    - In 2015, among just single payment auto title borrowers, 1 in 5 lost their cars to repossession.

The bright spot in the data is the impact of the city ordinances. The unified ordinance, adopted by more than 30 large and small Texas cities, places affordability standards on these types of loans within the respective jurisdictions. If the ordinance proves to have stronger borrower protections than the final CFPB rule, then city ordinances will remain in place. Texas Appleseed also analyzed data from two Metropolitan Statistical Areas (MSAs), where nearly all credit access businesses (CABs) were located in a city with the unified ordinance. Data from these MSAs showed improvements in key outcome measures, particularly a substantial decrease in the number of vehicles repossessed.

“This four-year analysis helps us see a fuller picture of how the market is changing,” said Baddour. “We hope the forthcoming federal rules from the CFPB are finalized and officially adopted into law in a timely manner, and that the city ordinances continue to help ensure these products are not pulling struggling families deeper into debt.”

### **About Texas Appleseed**

Texas Appleseed is a public interest justice center that works to change unjust laws and policies that prevent Texans from realizing their full potential. Our nonprofit conducts data-driven research that uncovers inequity in laws and policies and identifies solutions for lasting, concrete change. For more information, visit [TexasAppleseed.org](http://TexasAppleseed.org) or the Payday and Auto Title Lending Reform project page at [www.texasappleseed.org/payday-auto-title-lending-reform](http://www.texasappleseed.org/payday-auto-title-lending-reform).

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