

Thursday, January 19, 2012

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FOR IMMEDIATE RELEASE

Texas Appleseed Releases New Report

**State Should Do More to Protect Consumers, Foster Competition
to High-Cost Payday and Auto Title Loans**

AUSTIN, TX. – Public interest law center Texas Appleseed today released its report—*Reshaping the Future of Small-Dollar Lending in Texas*—and urged the State to enforce basic standards for affordable credit and to encourage lower-cost loan options in a market now dominated by high-cost payday and auto title lenders.

New state licensing and disclosure requirements for payday and auto title lenders took effect this month, but these lenders still operate outside of the prescribed limits on fees and annual percentage rates in Texas consumer lending laws.

“The good news is that the market is beginning to respond to the demand for more affordable options to payday and auto title loans. Unfortunately, it is difficult for other small-dollar loan products offered at lower interest and more consumer-friendly terms to compete with payday and auto title lenders charging 500% APR and recurring high fees,” said Texas Appleseed Senior Policy Analyst Ann Baddour.

“Why? When desperate families need quick access to cash to pay rent or cover a light bill, they are more likely to turn to the lender whose storefront and billboards they see every day. Huge profits have enabled payday and auto title lenders to expand rapidly in Texas (more than 3,000 storefronts across the state) and to saturate the advertising market,” Baddour said.

Representatives from the **Federal Reserve Bank of Dallas**, the **FDIC**, **Citi Community Development**, and **RAISE Texas** served as advisors on this report—and recently joined Texas Appleseed in convening financial institutions, private sector lenders and nonprofits to discuss how to make small loans more affordable to borrowers with poor access to credit.

“Responsible and affordable small-dollar loans can be an emerging market for financial institutions. Helping to meet a pressing need for money today can open the door to expanded customer relationships tomorrow,” said Roy Lopez, Community Development Specialist with the Federal Reserve Bank of Dallas.

"Citi is committed to expanding access to affordable, responsible credit, and we welcome this report as a spur to the industry," said Debbie Taylor, Southwest Regional Director for Citi Community Development.

Highlighted in the Texas Appleseed report are small-dollar loan products offered by financial institutions, consumer finance companies, and non-profits, including: Progreso Financiero, Amarillo National Bank, Community Loan Center in Brownsville, First Convenience Bank, Fort Worth City Credit Union, Promise Credit Union in Houston, Generations Federal Credit Union in partnership with Goodwill Industries in San Antonio, and Family Services of Greater Houston in partnership with the national Ways to Work loan fund. Most of these are relative newcomers to the small-dollar loan market and created their loan products to counter the recent proliferation of high-cost payday and auto title loans.

These loan products include the following desirable features: 1) affordable pricing, 2) loan amounts linked to an assessment of the borrower's capacity to repay on time, 3) a repayment period longer than the two to four weeks typical for a payday or auto title loan, 4) the ability to build credit or savings, and 5) access to financial education or credit counseling.

"Our goal is to encourage loan products with reasonable terms, including lower interest rates and fees. Better products—together with basic standards for affordable credit—will benefit small-dollar loan consumers in Texas," said Woody Widrow, Executive Director of RAISE Texas.

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