Texas
APPLESEED

Stop the Expansion of High-Cost Lending in Texas: Oppose HB 225

HB 225 increases rates and fees for loans in Texas between $1,700 and $2,700, from a cap of 30% interest and a $100 fee—around 35% APR for a two-year loan to an effective APR of 79% or higher. **With many Texans struggling in today's economy, raising the cost of credit and increasing indebtedness at high interest rates will only make things worse.**

HB 225 nearly doubles the cost of impacted loans for Texans, with no clear policy justification and no evidence that such a change is needed.

- Texas already has higher than average rates for all licensed consumer loans, compared to other states. For a $2,000 two-year loan, the median rate across states is 31% APR.[1]
- Under this bill, Texas would have one of the highest permissible rates—in the top ten among all 50 states—and a $2,000, 2-year loan would cost **$1,202 more** compared to current law. For a $2,500, 2-year loan, the **added cost would be $1,507**.
- Currently there are limits to the number of time refinance fees can be charged for a loan that is greater than $1,700—just one time per year at the maximum 30% interest rate. Under this bill, loans could be refinanced multiple times during a one-year period and the $100 fee could be charged as often as one time per month—**an additional $1,100 in loan costs per year.**

Substantial evidence indicates that the added costs from HB 225 would be harmful for Texans:

- Making credit more expensive leads to less affordable loans, harming borrowers overall.
- Texans are falling deeper into debt, with a 23% rise in per capita debt from the first quarter of 2019 through the fourth quarter of 2022.[2]
- 37% of Texans have a debt in collections, 11 percentage points higher than the US average.[3]

Taken together, these market trends indicate that we need policies that encourage more affordable credit and support a need to reduce indebtedness rather than increase it and at higher rates.

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[1] *Predatory Installment Lending in States*, National Consumer Law Center (Feb. 2020) at 14. Available at: https://www.nclc.org/wp-content/uploads/2022/08/rpt-InstallmentLoans-feb-2020.pdf.
[2] *Household Debt and Credit Report Q4 2022*, Federal Reserve Bank of New York (Feb. 2023), available at: https://www.newyorkfed.org/microeconomics/hhdc.html.
[3] *Debt in America: An Interactive Map*, Urban Institute (June 23, 2022), available at: https://apps.urban.org/features/debt-interactive-map/?type=overall&variable=totcoll&state=48.

Cost of a $2,000 Loan in Texas

Under HB 225, a $2,000 Loan **Costs at Least $1,202 More** Than Under Current Law

	Under Current Law	**Under HB 225**
Amount Financed	$2,000	$2,000
Term	24 months	24 months
Finance Charge	$818	$2,020.00
Monthly Payments	$117.42	$167.50
Total of Payments	$2,818	$4,020.00
Annual Percentage Rate	35%	79%

Cost of a $2,500 Loan in Texas

Under HB 225, a $2,500 Loan **Costs at Least $1,507 More** Than Under Current Law

	Under Current Law	**Under HB 225**
Amount Financed	$2,500	$2,500
Term	24 months	24 months
Finance Charge	$989	$2,496
Monthly Payments	$145	$208
Total of Payments	$3,489	$4,996
Annual Percentage Rate	34%	75%

San Antonio Express News

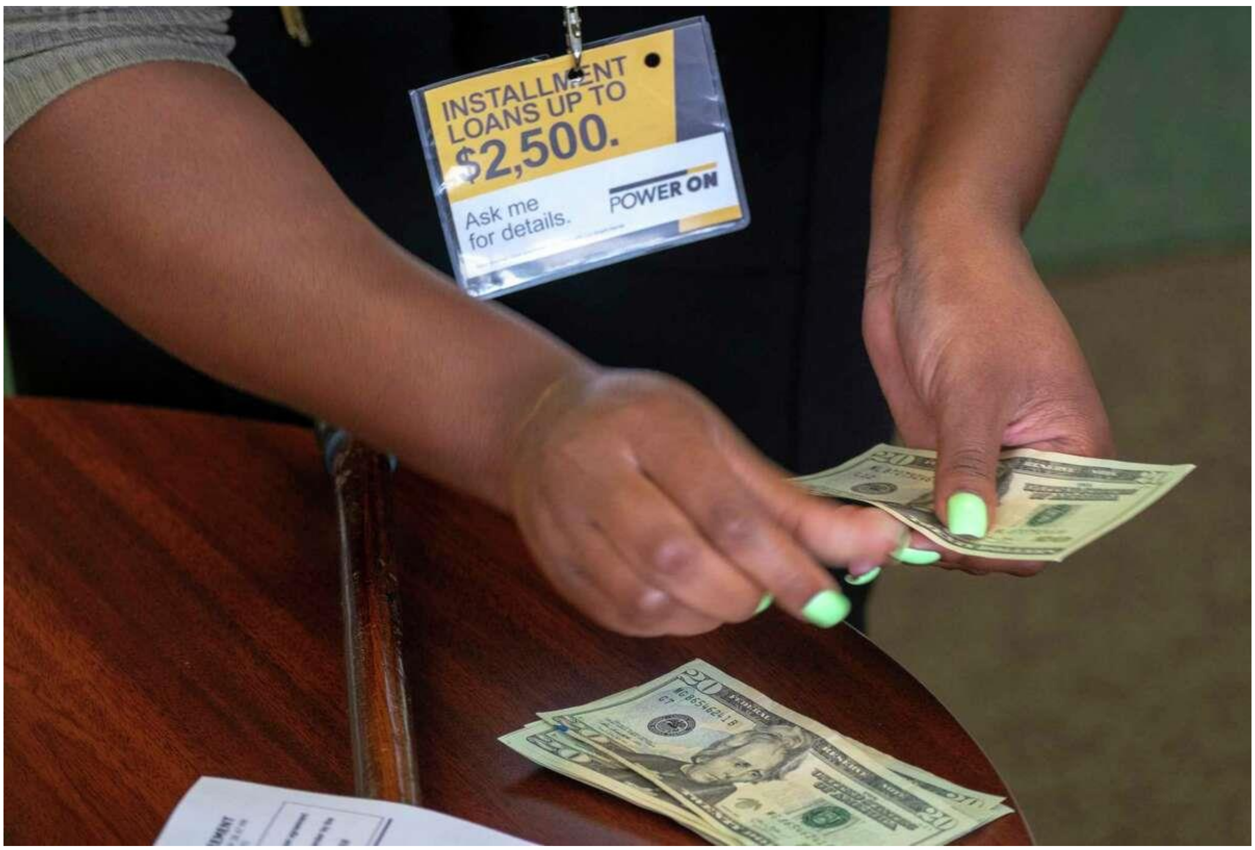
OPINION//COMMENTARY (NOTE: THIS COMMENTARY ADDRESSES BILLS IDENTICAL TO HB 225 THAT WERE FILED IN THE 87TH LEGISLATIVE SESSION. THE BILL NUMBERS ARE DIFFERENT, BUT THE EFFECT IS THE SAME.)

Commentary: Once again, Legislature looks to expand high-cost lending

Gustavo García-Siller, For the Express-News

May 3, 2021

Comments



Bills moving through the Legislature would allow double charges for a $2,000 loan, from 35 percent annual percentage rate to more than 79 percent. This isn't the help that low-income families need after the pandemic.

Sid Hastings / Associated Press

Two companion bills moving in the Legislature would double charges allowed under Texas law for a $2,000 loan, from an already high 35 percent annual percentage rate to more than 79 percent. These bills are particularly concerning because so many families are struggling to make ends meet due to the COVID-19 pandemic and the added hardship of Winter Storm Uri.

Our parishes, schools, hospitals and Catholic Charities in San Antonio and across Texas have stepped up our work during this time of particular need, providing millions of dollars in charitable assistance to keep individuals and families fed, housed and receiving the care and support they need.

Senate Bill 1089 and its companion, House Bill 2432, would undermine the important community work of our churches and other partner organizations by allowing even higher cost loans to ensnare Texans in unaffordable debt just as families are starting to have more hope and more opportunity.

What do these bills mean for San Antonio families? They mean at a minimum, an extra $1,200 to pay back a $2,000 loan under state licensed lending laws, according to data from the Texas Fair Lending Alliance. That amount creates an additional financial burden for someone who needs a loan to fix a car, can't work to care for a sick child or elderly parent, or pay for an unexpected expense.

These bills would make licensed loans look more like payday loans, taking Texas in the opposite direction we need to go. In addition to opposing these bills, we urge legislators to oppose any amendment to other bills with the language in these bills. Instead of making the situation worse for Texans, we need state leaders to take bold action to address high-cost lending abuses.

We witness the high cost of being poor every day through our work with seniors, young families and others who hit a bump in the road and need some help. We have been working over the past decade to curtail high-cost lending abuses in support of human dignity and the common good. Supporting alternative financial products, such as St. Vincent de Paul's Mini Loan Program and payday conversion loans, and Catholic Charities' financial assistance programs, are much better options.

Now is not the time to make credit more expensive for Texans. Instead, we need to throw life vests to families drowning under current financial burdens — to raise families up with policies that build financial resilience and well-being.

Archbishop Gustavo García-Siller leads the Archdiocese of San Antonio, which includes more than 700,000 Catholics.