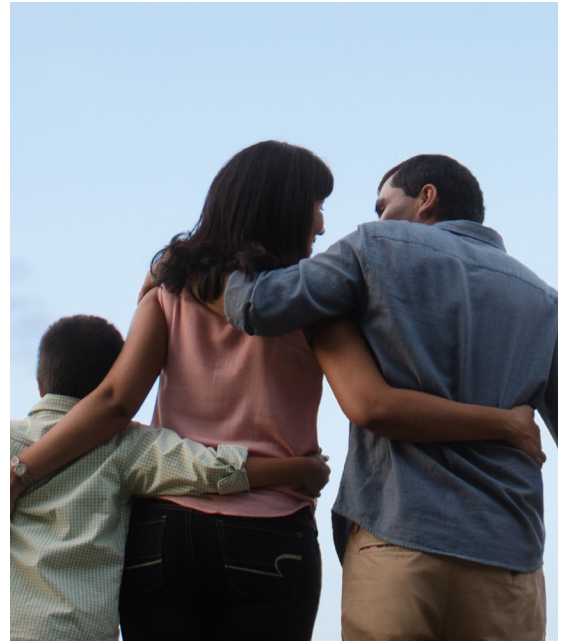


Strengthen Texas Families and Local Economies: Reform Payday and Auto Title Lending

Usury protections have long been built into the Texas Constitution to prohibit lenders from charging more than 10% interest, but payday and auto title loan operations have found a way around this constitutional protection. Payday and auto title loan operations are exploiting a legal loophole that allows them to operate as “loan brokers” under the Credit Services Organizations Act. As a result, Texas has no limit on loan size or total fee charges for payday and auto title loans.



Payday and Auto Title Loans vs. Other Loan Options: 6-month, \$500 loan

Estimated Annual Percentage Rate (APR)	Loan Type	Loan Amount	Finance Charges	Total Repayment
18%	Bank/Credit Union	\$500	\$27	\$527
100%	Finance Company	\$500	\$155	\$655
500%	Payday/Auto Title Loan	\$500	\$813	\$1,313

Texas: Same Products, Higher Fees

Texas is one of only a handful of states with no cap on payday and auto title loans. Compared to borrowers in other high-rate states, Texans pay about double in fees for a two-week \$500 payday loan.



Predatory Loans Trap Texans in an Unending Cycle of Unaffordable Debt

Payday and auto title loans are outrageously priced, averaging 500% APR for payday loans and 200-400% APR for auto title loans. They are offered with little consideration of the borrower’s ability to repay the loans.

The high-cost and structure of payday and auto title loans trap borrowers in a cycle of debt. They continuously pay high fees and interest – but never pay down the loan.

Although these products are marketed to consumers as short-term loans, payday and auto title loan borrowers are often in debt at these usurious rates for at least a year.



Over the last 10 years, payday and auto title loans have resulted in a loss of **\$1.6 billion per year** in annual gross product due to a decrease in business activity and an average loss of **more than 2,100 jobs per year** in Texas. Payday and auto title lending hurts the Texas economy.

Economic Harms of Predatory Lending In the State of Texas

Cumulative Losses 2012-2021

Component	Total Expenditures	Gross Product	Personal Income	Job Years*
Payday Loans	-\$3,271.4 m	-\$1,212.5 m	-\$749.0 m	-15,948.2
Auto Title Loans	-\$1,098.7 m	-\$407.2 m	-\$251.6 m	-5,356.3
Total	-\$4,370.2 m	-\$1,619.8 m	-\$1,000.6 m	-21,304.5

Source: US Multi-Regional Impact Assessment System, The Perryman Group Notes: Monetary values given in millions of 2021 US dollars. A job-year is equivalent to one person working for one year. Components may not sum due to rounding. Based on Texas Office of Consumer Credit Commissioner data related to loans, fees, and repossessions and The Perryman Group's estimates of other related losses as well as multiplier effects.

Payday and Auto Title Loans Drain Charitable Resources and Hurt Local Economies

Inflated fees on payday and auto title loans undermine Texas economies and:

- Drain local nonprofit and faith-based charitable assistance; and
- Cause bankruptcies, forced bank account closures, and unpaid bills.

The devastating financial harms of payday and auto title loans affect every day Texans. This is T.M.'s story:

December, 2022. After losing his job due to the COVID-19 pandemic, T.M., from North Texas, started his own construction business to serve his community and employ fellow Texans. To help his business, T.M. took out an auto title loan on his work truck for \$7,000. Due to a misleading explanation of the loan, he did not realize that he would have to pay back over \$17,000 for the six-month loan—\$350 in interest to the lender and \$9,650 in fees to the auto title loan credit access business. His monthly payment for the loan was over \$2,500. With no way to pay that high amount month after month, he ended up losing his truck, and with it, his business. Thinking about the desperation and hardship caused by the loan, T.M. shared: **“Stop these [businesses] that exploit and profit off of people’s misfortunes.”**

Take Action Now!

We can move forward with more economically-just initiatives to invest in the financial health and futures of Texans. You can act now:

- Uphold current cycle of debt protections:
 - » Support local payday and auto title loan ordinance adopted in 49 Texas cities.
 - » Adopt city ordinances as state law.
 - » Maintain existing rate and fee caps for licensed finance companies.
- Adopt a 36% annual percentage rate and fee caps for payday and auto title loans.

These actions strengthen Texas families and the economy.

Contact Us

Supporting a Texas market that encourages informed financial choices that are successful for both borrowers and lenders.

Texas Fair Lending Alliance
www.TexasFairLending.org

