



Texas Fair Lending Alliance

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4 Fair Lending

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CFPB Payday & Auto Title Loan Rule Will Bolster Fair Lending for Texans *Strong local protections remain important; state action still needed to cap loan charges*

AUSTIN, Texas — [Texas Fair Lending Alliance](#) and [Texas Faith Leaders for Fair Lending](#) members commend the Consumer Financial Protection Bureau (CFPB) for issuing the first-ever rule designed to rein in abusive practices in payday and auto title lending nationally. The release of this final rule is an important step in Texas, where loopholes exploited by payday and auto title lenders allow them to charge unlimited fees, creating unique challenges for borrowers to pay back these loans. From 2012 to 2016, Texans paid \$7.5 billion in fees alone for these high-cost loans. During the same time period, 186,685 families lost a car to an auto title loan, often after paying more in fees than the value of the original loan. Average annual percentage rates on these loans in Texas range from 200% to over 500% APR.

The new CFPB rule applies to many of the payday and auto title loans currently being offered in Texas—including short-term loans, due in full in an average of two-weeks to one-month, and longer term loans that include a balloon payment, where the full principal is due in one large payment often after paying repeated high fees. The rule includes important standards that support successful repayment of the loans and curb the ongoing cycle of debt caused by these loans. The rule:

1. Requires payday and auto title lenders to assess the ability of the borrower to repay the loan, to ensure borrowers can maintain basic living expenses and successfully pay off the loan;
2. Limits the cycle of ongoing refinances;
3. Limits the number of times a lender can attempt to collect from a borrower's account; and
4. Puts into place a 30-day "cooling-off period" after three back-to-back loans.

The CFPB rule is an important step in the right direction. But, with current market trends, the Texas Legislature—which has the authority to cap loan fees, but has not to date—and cities have an important role to play to ensure that all segments of this market offer fair and affordable loans. The CFPB final rule complements the [unified local ordinance movement](#) in Texas that is now more than 40 cities strong, covering more than 9 million Texans. The ordinances, which have successfully withstood numerous court challenges by payday lenders, continue to be important for Texans, as they cover a broader scope of uncapped loans than the CFPB rule, namely longer-term, or installment payday and auto title loans.

Installment payday and auto title lending—which has been on the rise in Texas—remains a key area of concern that is only partially covered by the CFPB rule. In 2012, installment payday and auto title loans made up just 11% of the total dollars lent by payday and auto title loan operations in Texas and 27% of the fees collected. In 2016, they made up 27% of the dollars lent and 65% of the total fees collected. For borrowers who do not refinance, an average \$500 installment payday loan costs \$1,351 to repay over five months. With refinances, the cost can balloon to thousands of dollars, according to [a new Texas Appleseed analysis](#) of 2016 state data.

“A [national 2016 poll of Christians](#) found that 94% believe lenders should only make loans with

reasonable interest, which can be repaid within the original loan period, so this rule helps stem a major issue, which is the inability to repay,” said Jennifer Allmon, executive director of the Texas Catholic Conference of Bishops and a member of Texas Faith Leaders for Fair Lending.

Stephanie O’Banion, President and CEO of United Way of Central Texas and a member of the Texas Fair Lending Alliance added, “We are working hard to empower Texans to build and improve financial health. We applaud reining in abusive payday and auto title lending practices as a key step to enhance the financial well-being of Texas families and communities.”

About the Texas Fair Lending Alliance and Texas Faith Leaders for Fair Lending

The Texas Fair Lending Alliance (TFLA) believes in a Texas market that encourages informed financial choices that are successful for both borrowers and lenders. TFLA is a coalition of over 60 organizations and individuals working to transform the Texas payday and auto title loan market from one based on a cycle of debt, to one that thrives on a cycle of success. Web: www.texasfairlending.org; Twitter: @TXFairLending

Texas Faith Leaders for Fair Lending is a coalition led by the Texas Catholic Conference of Bishops and the Christian Life Commission of the Baptist General Convention of Texas. The coalition, with active support from more than 200 faith leaders across Texas, works to reform abusive payday and auto title lending practices in Texas at the local, state and federal level, including advocating in municipalities across Texas in support of adopting the unified payday and auto title lending ordinance. faithleaders4fairlending.org

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