



Texas Fair Lending Alliance

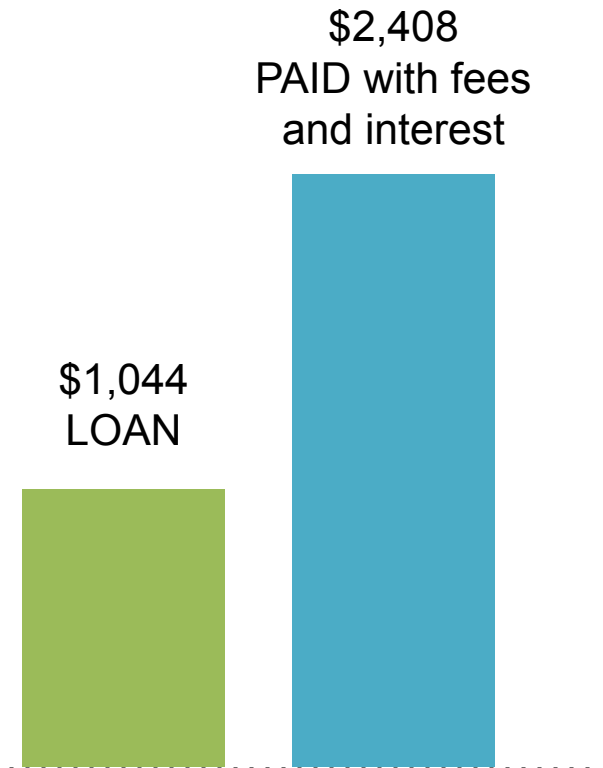
**Thriving Families,
Thriving Communities**

Today's Agenda

- Welcome & Introductions
- What is a Payday & Auto-Title Loan?
- The Impact on Texas
- The Faith Community's Response
- Looking Ahead
- How You Can Help
- Closing

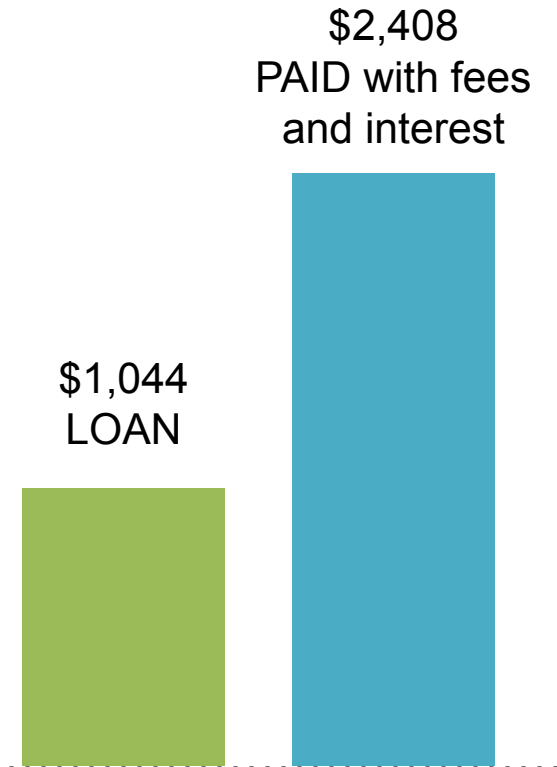
Payday Loans in Texas

- Average 500% APR.
- Secured by access to a borrower's bank account via a post-dated check or electronic ACH authorization.
- Have initial terms of 14 to 180 days
- Most borrowers cannot pay back the loans in full during the loan term and have to refinance, piling on hefty fees.
- 50% of installment payday loan borrowers are in debt for one year or more.



Auto Title Loans in Texas

- 200% to 400% APR.
- Secured by a car title from a car that is paid in full
- Loan amount is based on the value of the car
- Terms of 30 to 180 days
- 60% of auto title borrowers were stuck in high-cost loans for 6 months or more
- Nearly 1 in 4 auto title borrowers lost a car to repossession in 2020.



Source: Texas Appleseed analysis of the Texas Office of Consumer Credit Commissioner [2020 CAB reports](#) and [7 TAC §83.6007 \(2020\)](#).

The Problem with Refinancing

- Refinancing = pay fee to replace existing loan with new loan
 - Over 40% of payday and auto title loans made in 2019 were refinanced.
 - An average \$500 loan cost \$1,200 to \$4,000 to repay with refinances.
 - Refinancing creates a costly debt trap.
-

The Cycle of Debt

Fees based on a \$500 Two-Week Loan

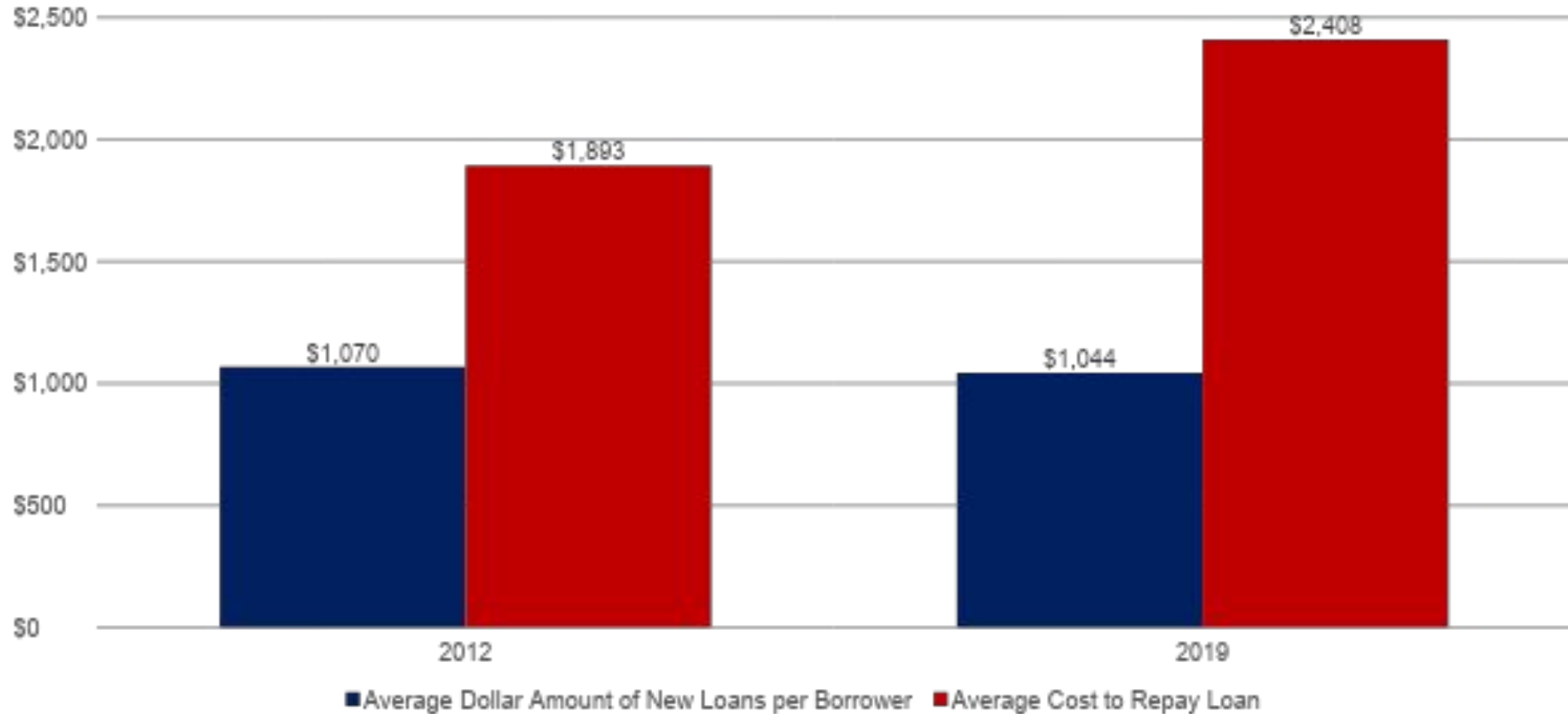


The Loan Process, Continued

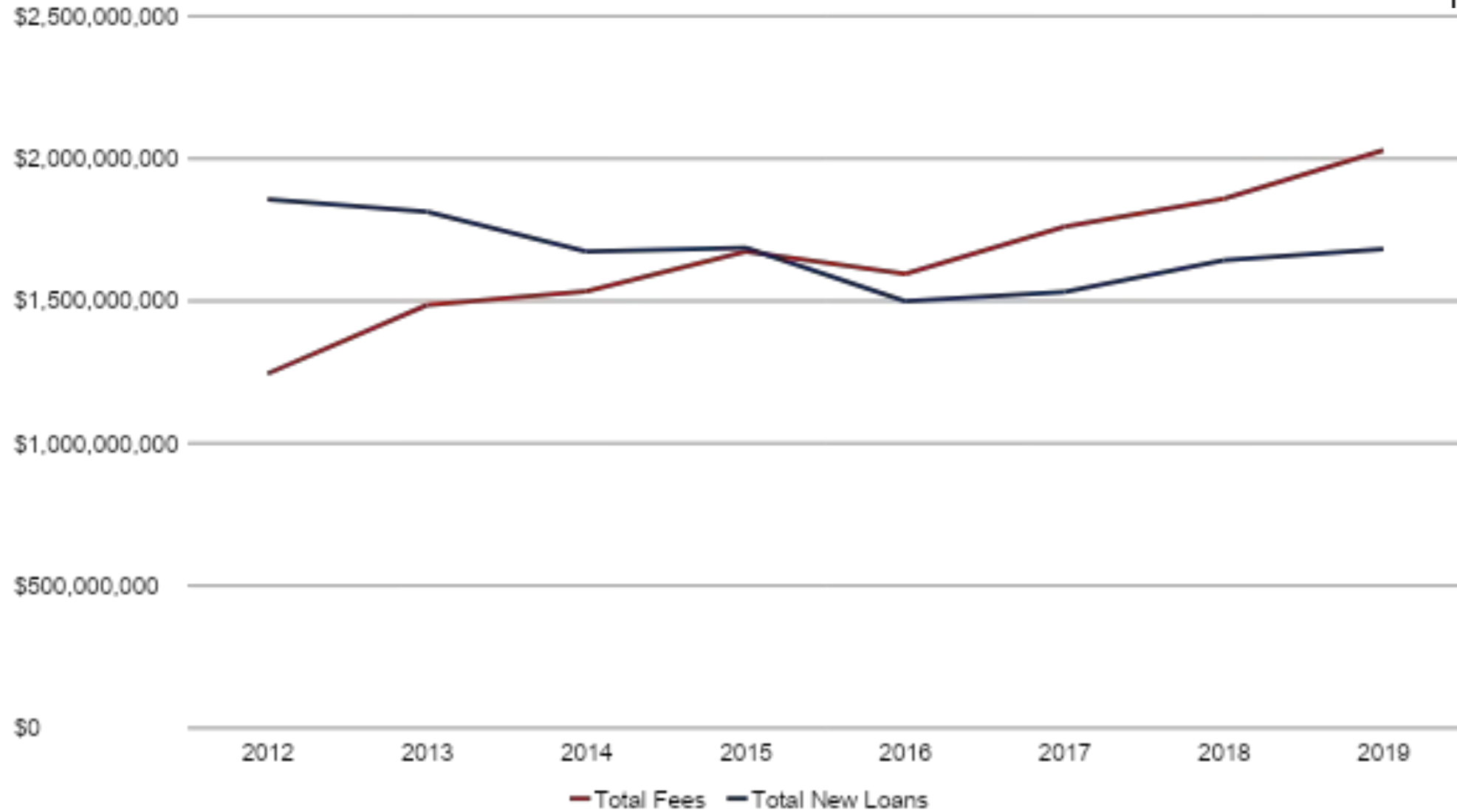


Texas Borrowers Paying 66% More on Average

Average Cost to Repay a Payday or Auto Title Loan in Texas
2012 and 2019



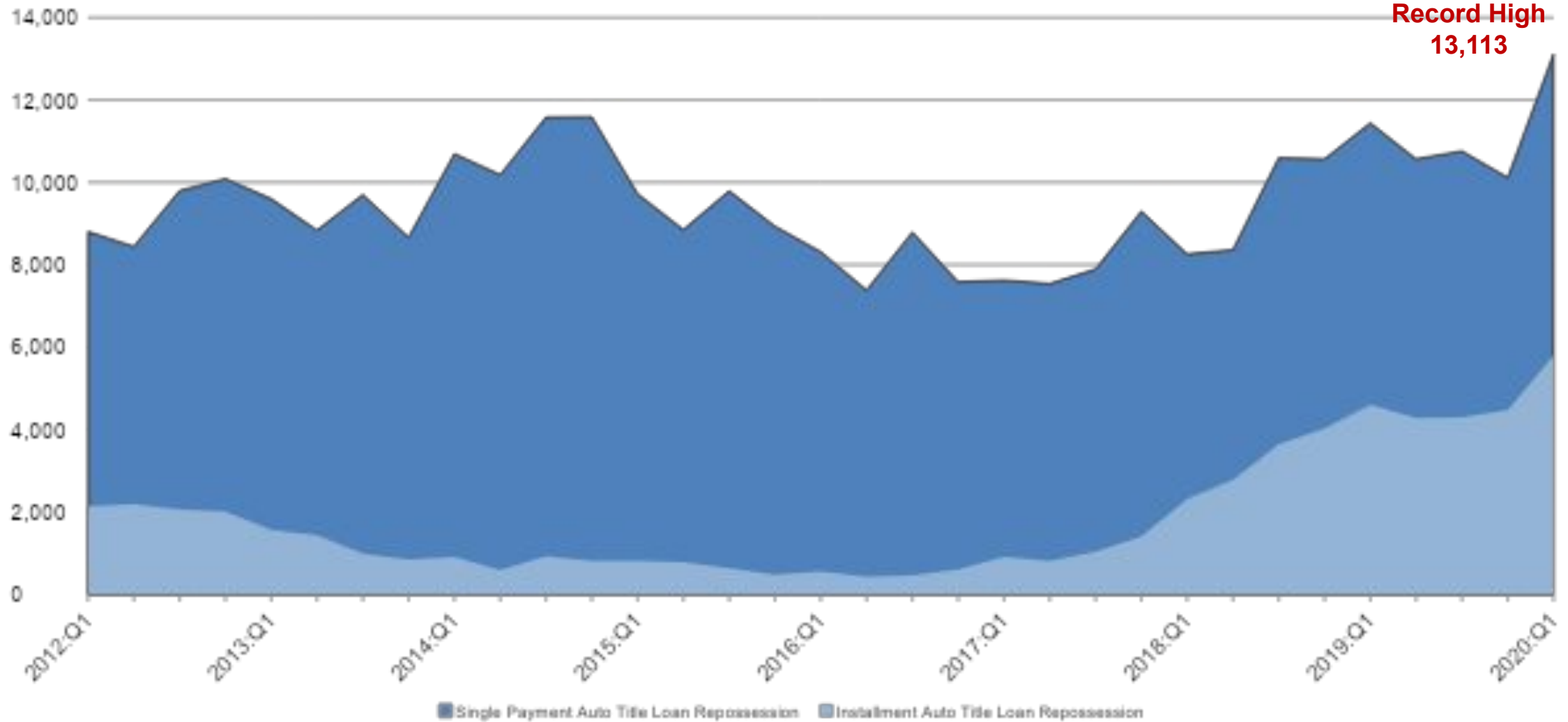
Payday and Auto Title Loan Market Trend: Increasing Fees



Record High Quarterly Auto Repossessions Before COVID Hit

Q1 2012 - Q2 2020

318,757 Total Cars Repossessed



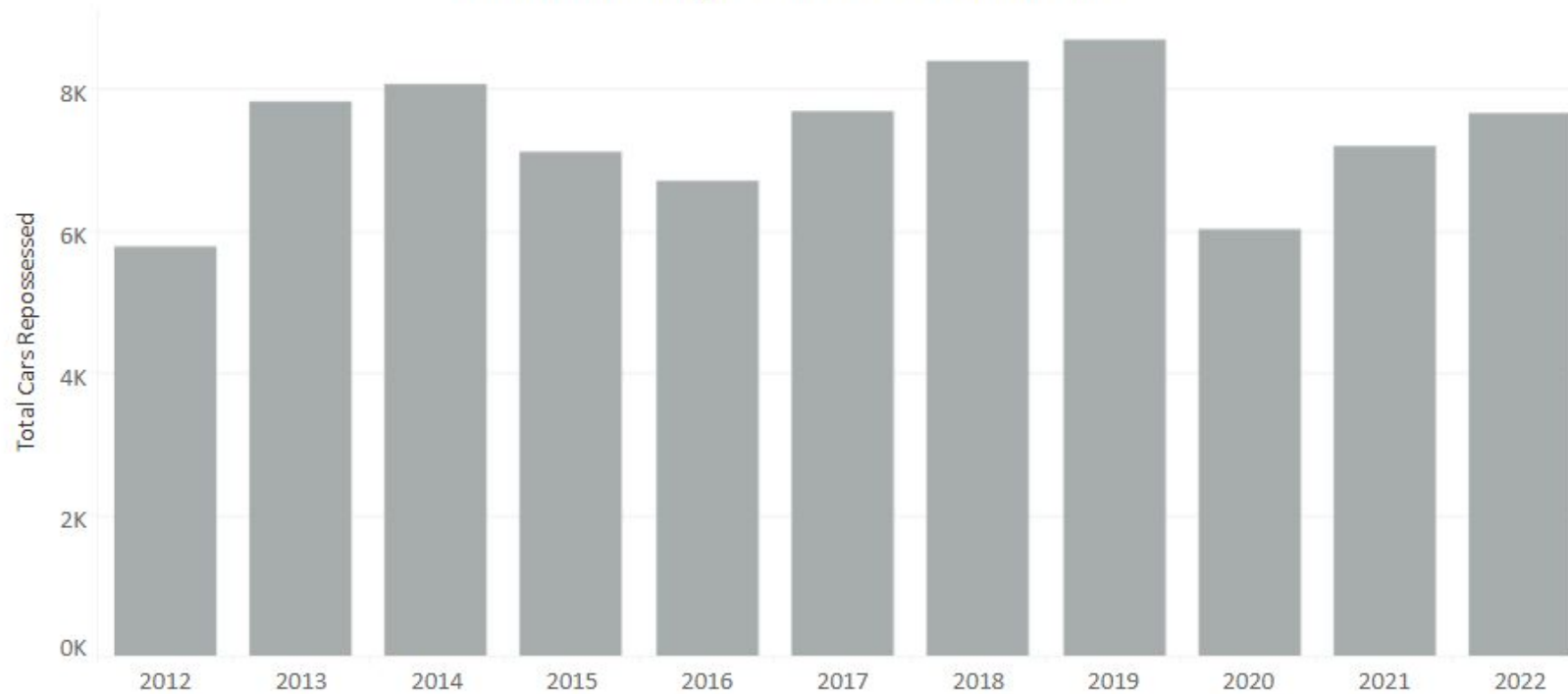


Auto Title Lending in Dallas-Plano-Irving MSA 2012 - 2022

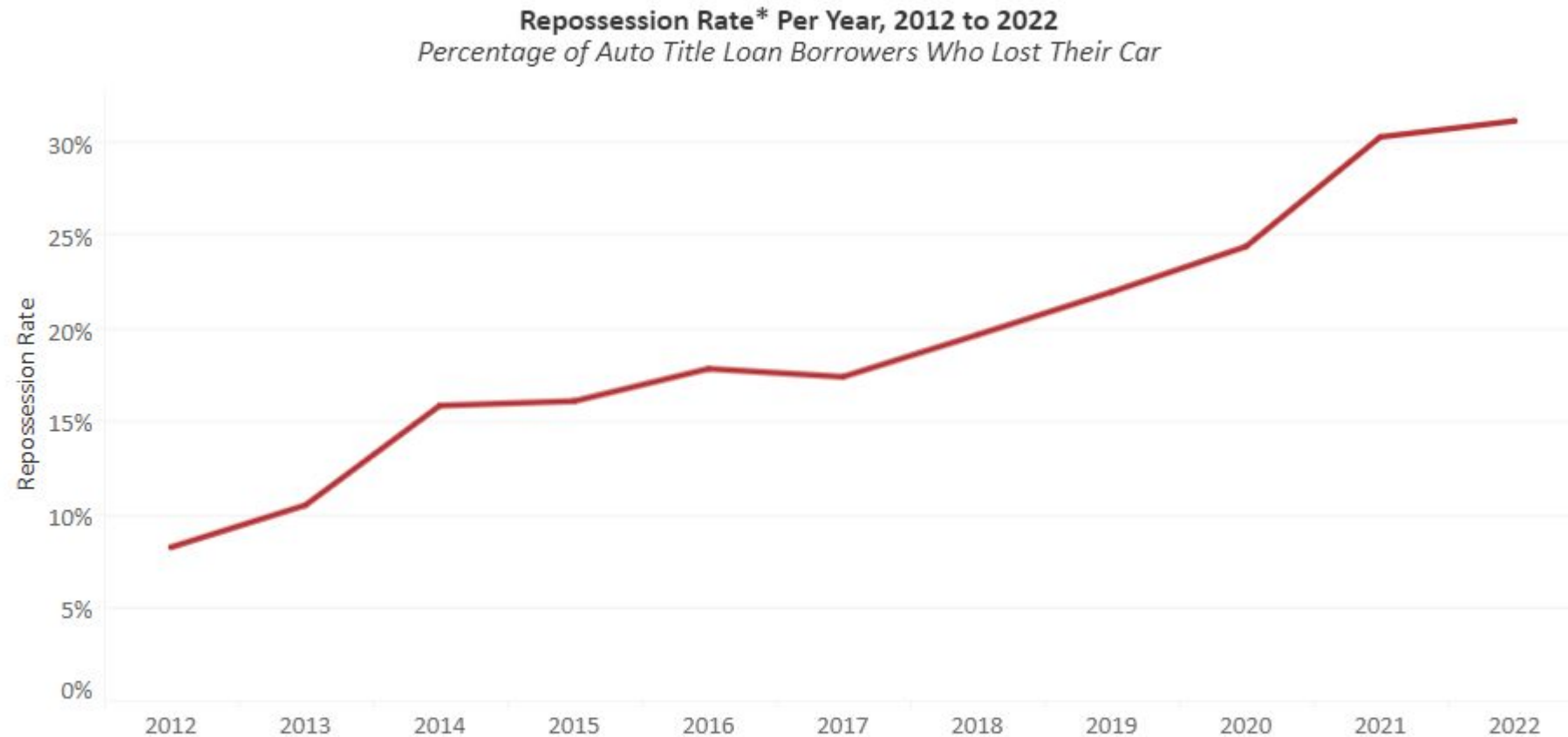
Total Cars Repossessed from Financially Vulnerable Texans
Dallas-Plano-Irving MSA 2012-2022

81,040

Number of Cars Repossessed Per Year, 2012 to 2022



Auto Title Lending in Dallas-Plano-Irving MSA 2012 - 2022



*The repossession rate is the total number of repossessed cars divided by the total number of auto title loan borrowers. Repossession rate is not reported if the number of borrowers is not available.

Consequences



Texas Fair Lending Alliance

In 2019 alone, the uncapped fees
for payday and auto title loans
drained

\$2,029,040,818

(over \$2 Billion)

from Texans struggling financially,
and auto title lenders repossessed
cars from

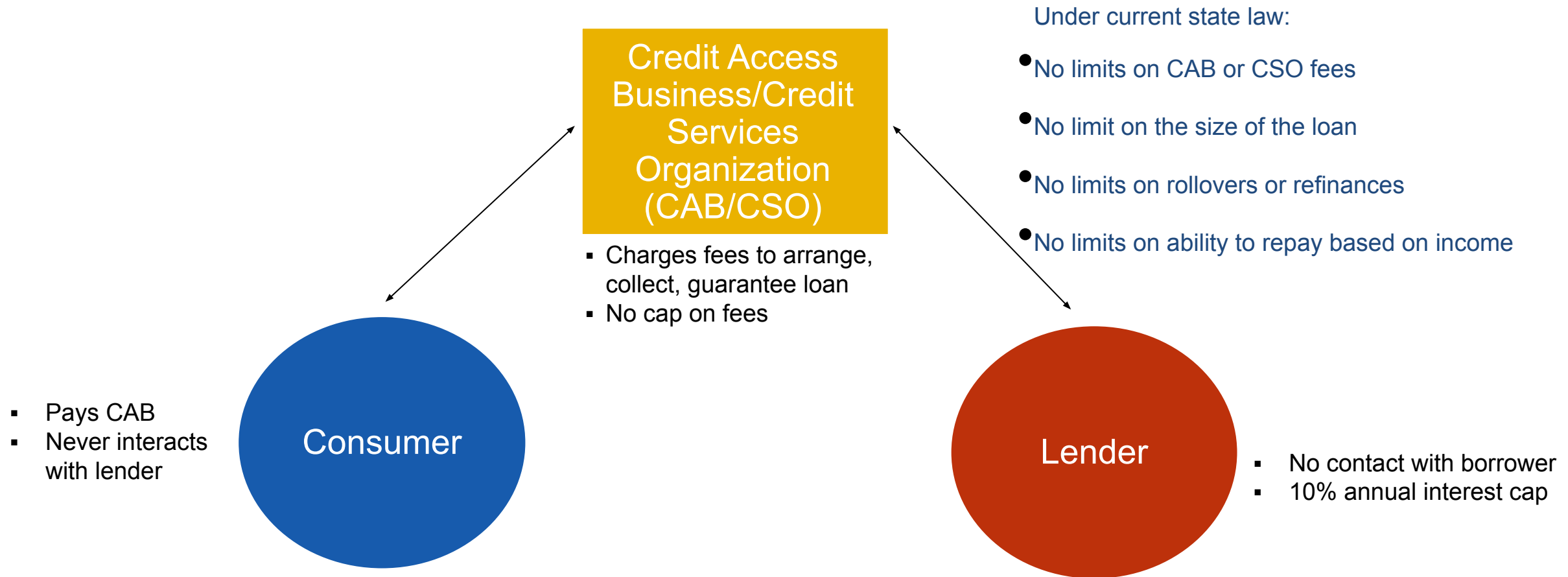
42,878 Texans.

Lost assets

Lost income

Borrower gets pushed
further into poverty

How is This Legal???

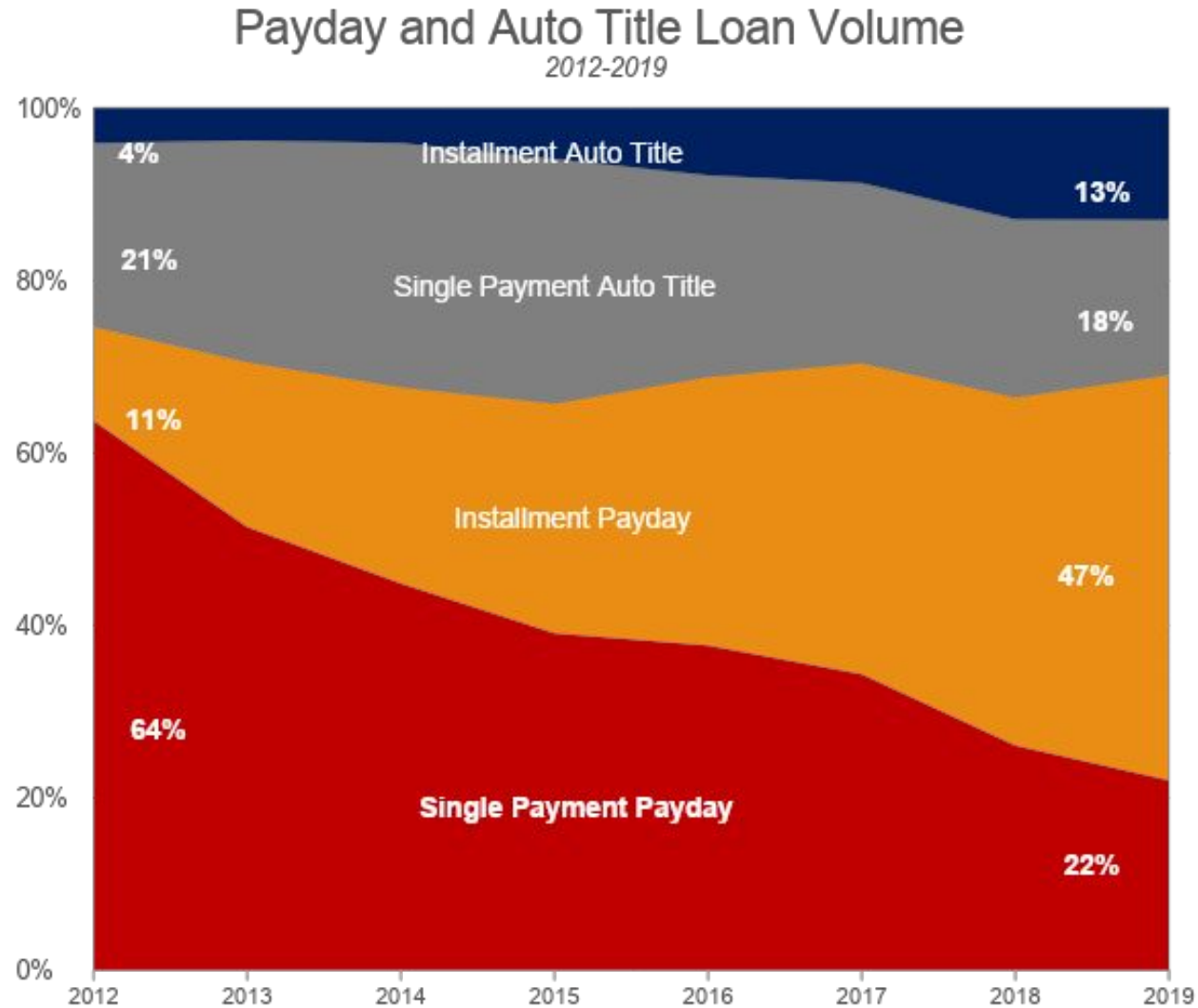


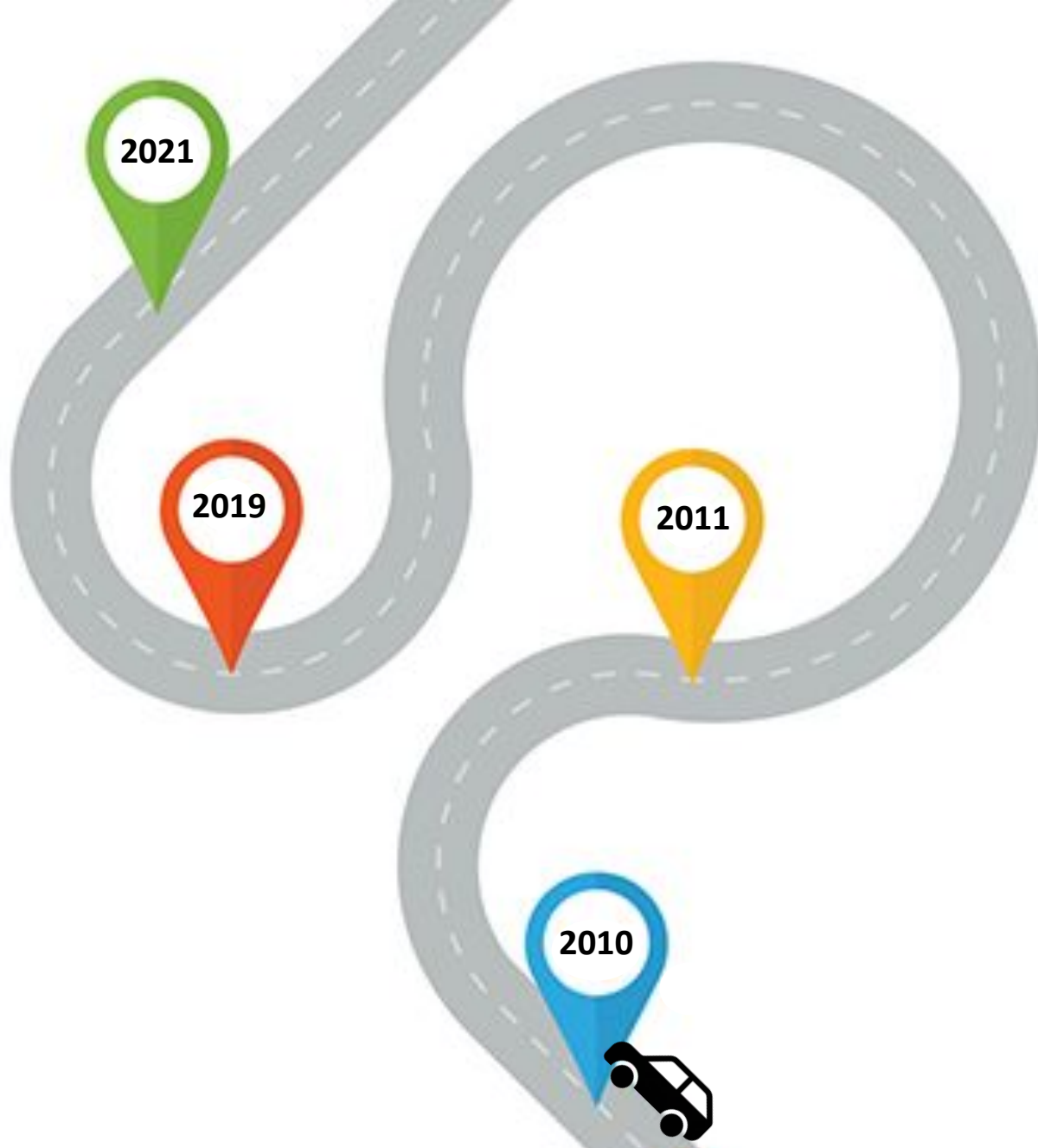
Texas: Same Products, Higher Fees

Texas is one of only a handful of states with no cap on payday and auto title loan charges. These businesses are getting a free pass compared to other financial service providers. Texans pay about double in fees compared to borrowers in other high-rate states for a two-week \$500 payday loan.



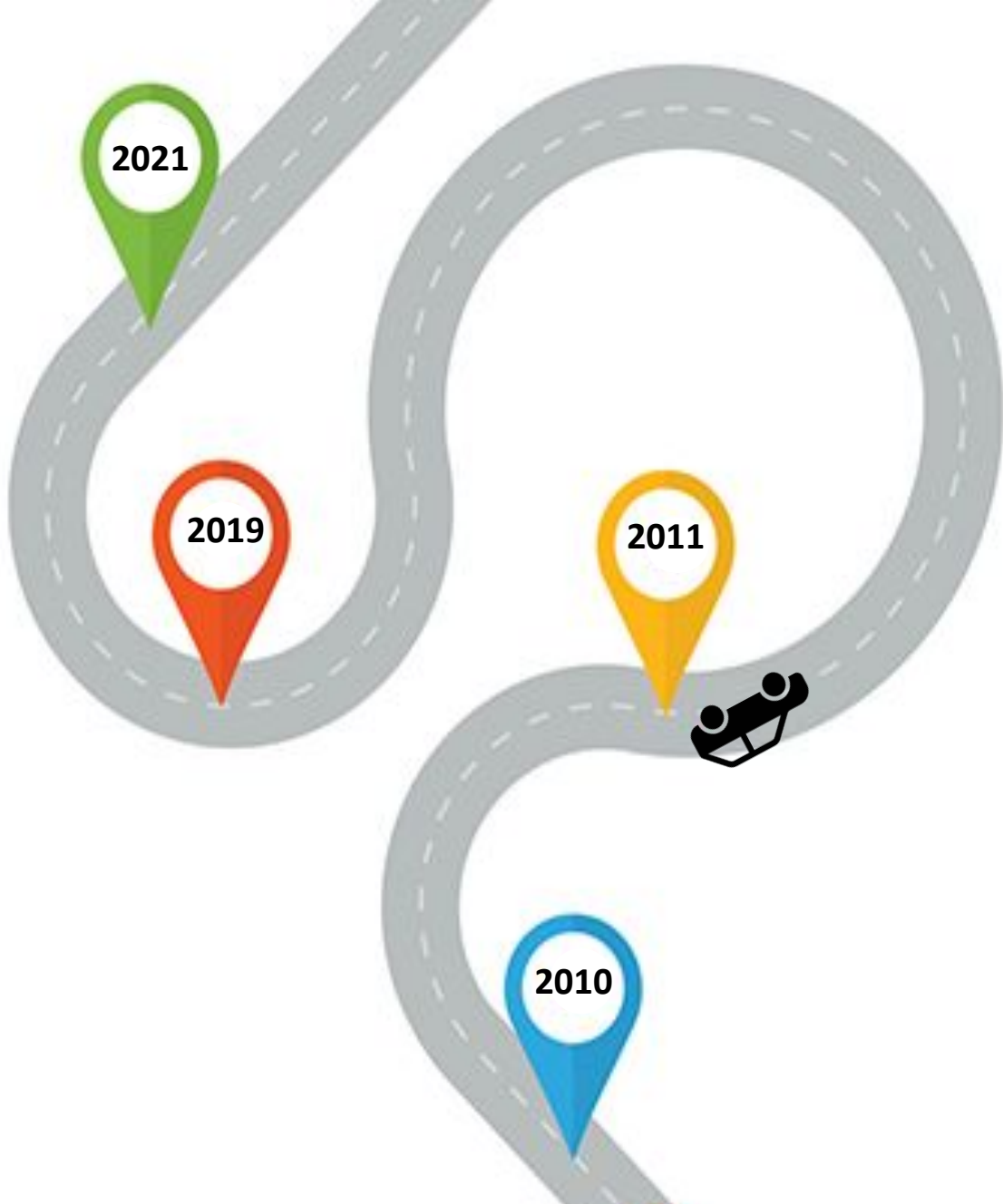
Market Shift from Single Payment to Installment Loans





2010

- Mobilized a strong grassroots campaign to prepare for the 82nd Texas Legislature
- Spread awareness of issue through a march, op/eds, community presentations, etc.
- Met with elected officials to ask for their support
- New coalitions launched to tackle this issue: the Texas Fair Lending Alliance and the Anti-Poverty Coalition of Greater Dallas



2011



Texas Fair Lending Alliance

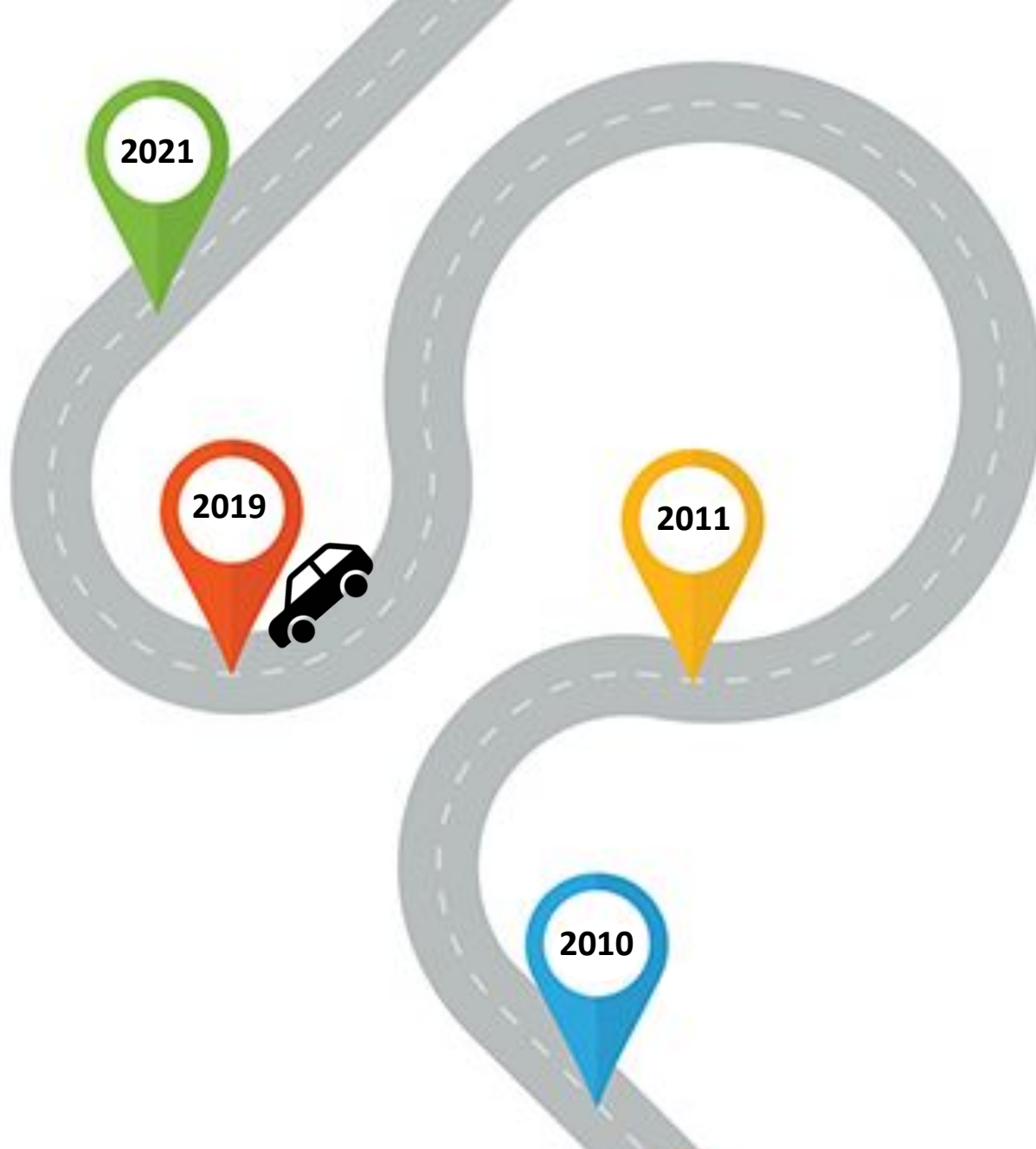
- 82nd Texas Legislature: Credit Service Organizations that arrange payday and auto title loans are required to:
 - Get licensed by the Texas Office of Consumer Credit Commissioner (OCCC) as credit access businesses (CABs)
 - Disclose fees, typical repayment patterns, and fees of comparable loans
 - Report consumer and transaction data
 - **On the negative side—explicitly allowed uncapped CAB fees and did not address the cycle of debt.**
- Dallas City Council (June) passed both a zoning ordinance and the first-of-its-kind regulatory ordinance to address a key issue that the legislature did not address **the harmful cycle of on-going high-cost debt.**

City Ordinances

- Required to **register** with the City
- **Limitation on the size** of loans arranged by a CAB:
 - 20% of the borrower's gross monthly income for payday loans or
 - The lesser of 3% of the borrower's gross annual income or 70% of the vehicle value for an auto-title loan;
- **Limits loans** arranged by a CAB to no more than 4 payments—either 4 installments or 3 rollovers/renewals
- Loan **principal must be reduced** by 25% with each installment or renewal
- **Defines a rollover or renewal** as an extension of consumer credit made within seven days of the previous extension of credit

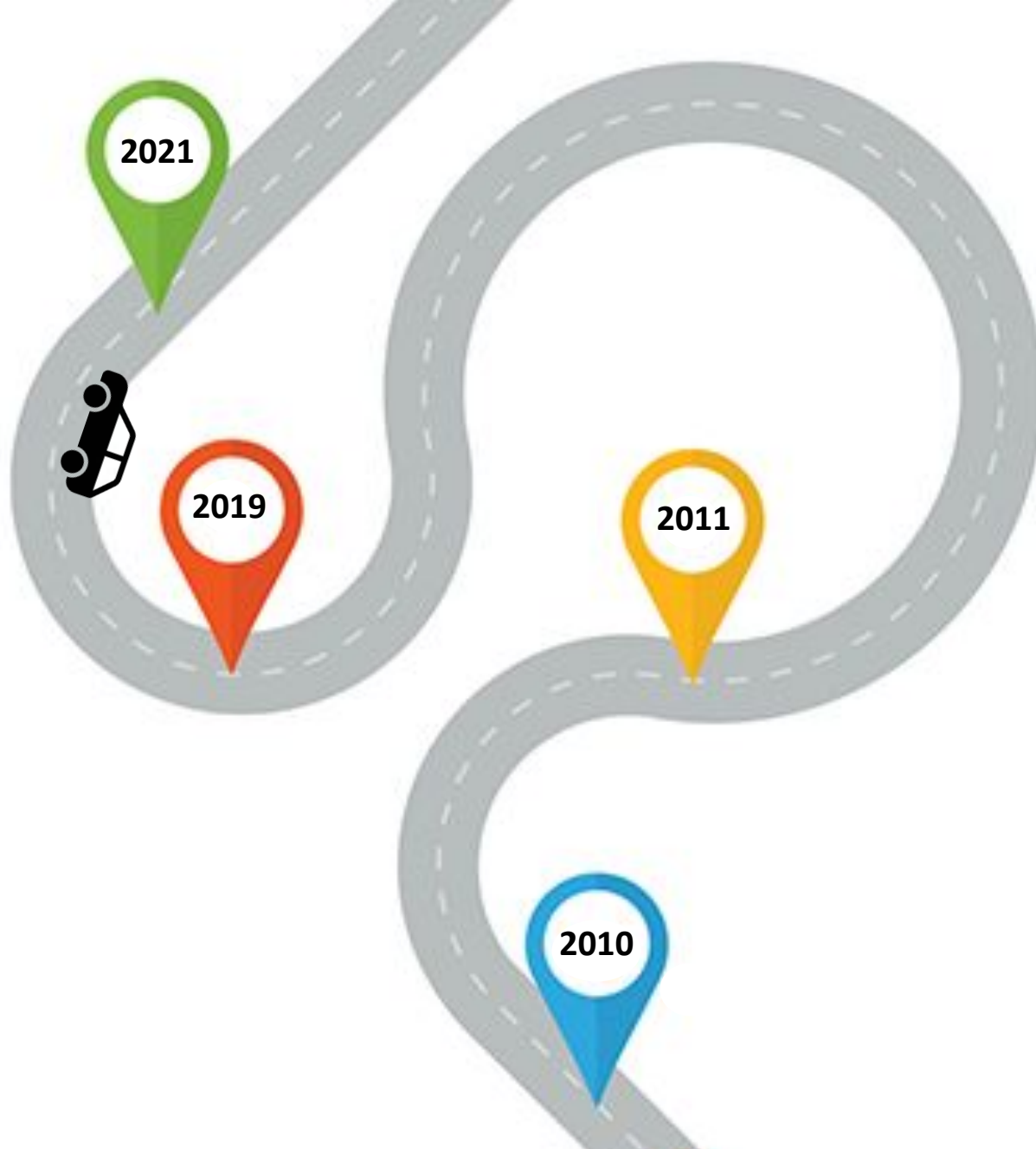
11M+ Texans Covered By Ordinance!!

- Amarillo
- Angleton
- Arlington
- Austin
- Balcones Heights
- Baytown
- Bedford
- Bellaire
- Brownsville
- Bryan
- Canyon
- Cedar Hill
- College Station
- Corpus Christi
- Dallas
- Denton
- DeSoto
- Dickinson
- El Paso
- Euless
- Flower Mound
- Fort Worth
- Galveston
- Garland
- Grand Prairie
- Harker Heights
- Hurst
- Houston
- Killeen
- Longview
- Mesquite
- Midland
- Pharr
- San Angelo
- San Antonio
- Seguin
- Socorro
- Somerset
- South Houston
- Sulphur Springs
- Temple
- Universal City
- Waco
- Weatherford
- West University Place
- Willis



After 2011

- **Promoted loan alternatives.** Promoted numerous fair-priced loans and has supported numerous pilots and products.
- **Hosted listening sessions and town halls.** Hosted numerous listening sessions to hear how these loans are impacting families and the communities and have organized trainings to educate communities on CSO loophole, loan alternatives, and the need to speak up on this issue.
- **Advocated for reform at the federal and state levels.** Testified at CFPB hearings and at state committee hearings, and also collected hundreds of comments on the CFPB's payday rule.
- **Served as a resource to communities.** Communities continue to reach out looking for more information on how to combat these loans, support those caught up in these loans, and how Dallas adopted the ordinance.



2019 & Beyond

- **A Texas Attorney General opinion released in November 2019 creates a new loophole in state & local regulations.** It allows “an extension of credit *other than* a deferred transaction and a motor vehicle title loan”.
- **In July 2020, CFPB repeals 2017 payday lending rule.** The CFPB rule complimented our ordinances and ensured that potential consumers could afford their short-term, high-cost loans.
- **The cities of Austin & Dallas passes payday ordinance 2.0.** The ordinance updates its definitions and closes the loophole that was created by the AG opinion.

88th Texas Legislature

HB 2127/ SB814

- Cities and counties in Texas will no longer have the authority to pass or maintain laws that exceed state or federal requirements.
- Local preemption bill (Death Star Bill)

Includes an exemption for ordinances that were adopted before 2023 and would be valid under the current law

Houston, San Antonio, El Paso have all filed suits against the state

Federal Regulation

Advocates have called for a national interest rate cap of 36%

-Not much movement

2010 creation of the Consumer Financial Protection Bureau

-Supreme Court hearing October 2023

Impacts on Nonprofits and Faith Communities

- Nonprofits and faith-based ministries witness high costs of payday and auto-title loan lending everyday.
- Scripture and tradition discourage usurious loan practices: “If you lend money to my people, the poor among you, you must not be like a money lender; you must not demand interest from them.” (Ex. 22:24. *See also:* Ez. 18:17, 18:8; Ps. 14:5.)
- TCCB data from parishes and Catholic Charities reveal the high cost of being poor every day as direct service providers assist families forced into alarmingly high debt to cover unexpected expenses.
 - Over 30% of charitable assistance clients are in trouble with a payday or auto title loan.
- Over the last decade, various other churches have been active in supporting payday lending reform through Faith Leaders 4 Fair Lending.
- Communities of faith stepping up: Alternative products and loan conversion programs stopping the cycle of debt (e.g., SVDP Program in Austin, Catholic Charities partnership with Credit Unions, etc.)

How Can You Help?

- Talk to employers - including nonprofits, school districts, cities - about providing access to a small dollar loan product to employees as a benefit.
- Encourage your city to adopt a payday and auto-title loan ordinance, or sign on to an amicus brief against HB 2127.
- Sign up to receive action alerts from LWV-Texas.
- Follow the Texas Fair Lending Alliance on facebook and twitter.
- Ask your faith leaders if they are hearing about community members using these loans, and encourage them to join efforts to advocate for reform.

Texans deserve loans without abusive terms

FEBRUARY 2023

TO PROMOTE A HEALTHY TEXAS ECONOMY, ESTABLISH FAIR MARKET STANDARDS FOR CONSUMER LOANS

The attached list demonstrates that regulated financial institutions are able to offer Texans short-term loans up to \$2,500 with interest rates that do not exceed 36% APR, even when consumers have lower credit scores or no credit history. This is the type of access to credit that needs support to continue to expand across the state.

Payday loans that average 500% APR or more and auto title loans that average 200% APR are designed to trap Texans in debt. These exorbitantly priced short-term loans are detrimental to families and undermine the work and investments of faith-based and charitable organizations across the state to support family financial stability.



Organization with loan that meets criteria*	Location/Metro Area	# of Branches
Statewide		
Amarillo National Bank	Amarillo	25
Amplify Credit Union	Austin	5
Bank of America	National	356
Capital Good Fund	National	Online
Frost	Texas	150
Oportun	National	Online + 50
PNC	National	341
Regions Bank	National	25
Truist	National	106
US Bank	National	Online
Wells Fargo	National	521
Woodforest	National	204



North Texas	
Allied Federal Credit Union	Arlington
LibertyOne Credit Union	Arlington
Belton Federal Credit Union	Belton
Fannin Federal Credit Union	Bonham
Advancial Federal Credit Union	Dallas
City Credit Union	Dallas
Faith Cooperative Federal Credit Union	Dallas
Greater Texas Federal Credit Union	Dallas
International Refugee Committee CEO Loan Services	Dallas
Oak Cliff Christian Federal Credit Union	Dallas
Prestige Community Credit Union	Dallas
Randolph-Brooks Federal Credit Union	Dallas
RelyOn Credit Union	Dallas
Resource One Credit Union	Dallas
St Vincent de Paul Mini Loan Program	Dallas
Texas Telcom Credit Union	Dallas
Credit Union of Texas	DFW Metroplex
Neighborhood Credit Union	DFW Metroplex
Oportun	DFW Metroplex
Texas Dow Employees Credit Union	DFW Metroplex
Texas Trust Credit Union	DFW Metroplex
DATCU Credit Union	Denton
EECU	Fort Worth
Pathfinders Lending Circles	Fort Worth
Tarrant County's Credit Union	Fort Worth
Unity One Credit Union	Fort Worth

Texas Tech Federal Credit Union	Frisco
Las Colinas Federal Credit Union	Irving
Mobility Credit Union	Irving
Texas Dow Employees Credit Union	Lake Jackson
Corner Stone Credit Union	Lancaster
Employees United Federal Credit Union	Paris
InTouch Credit Union	Plano
Lifetime Federal Credit Union	Richardson
PosTel Family Credit Union	Wichita Falls
Texoma Community Credit Union	Wichita Falls
Windthorst Federal Credit Union	Windthorst

Better Options When You Need Cash Now

OCTOBER 2022

Mejores Opciones Cuando Necesite Dinero Rápido

OCTUBRE 2022

AVOID HIGH-COST QUICK CASH LOANS

Quick cash loans, like payday and auto title loans, offer easy access to money when needed but can make a hard financial situation worse. Many of these loans are intentionally designed to be difficult to pay back on time, so you are forced to refinance and pay hefty fees. If you need cash quickly, **please consider these safe, affordable options.** For more local resources, call 2-1-1, visit 211.org, or enter your zip code at findhelp.org.



Did you know?

On average, borrowers in Texas who refinance pay \$1,200 to \$4,000+ on a \$500 payday or auto title loan—paying many times the amount borrowed.¹

EVITE LOS PRÉSTAMOS RAPIDOS CON COSTOS ALTOS

Los préstamos rápidos, como los préstamos de día de pago y de título de auto, ofrecen fácil acceso al dinero cuando se necesita, pero pueden empeorar una situación financiera. Muchos de estos préstamos están diseñados intencionalmente para que sean difíciles de pagar a tiempo, por lo que se ve obligado a refinanciar y pagar tarifas altas. Si necesita dinero rápidamente, **considere estas opciones seguras y accesibles.** Para obtener más información sobre recursos locales, llame al 2-1-1, visite 211.org, o ingrese su código postal en findhelp.org.



¿Sabías?

En promedio, las personas en Texas que refinancian pagan de \$1,200 a \$4,000+ en un préstamo de \$500 sobre el título del auto o el día de pago, pagando mucho más que la cantidad prestada.¹

Questions?