

# DRAINS ECONOMY, HURTS FAMILIES PAYDAY & AUTO TITLE LENDING IN TEXAS

## A MAJOR ISSUE FOR TEXAS: THE “DEBT TRAP”

If borrowers can't pay off the entire loan amount in two or four weeks, they must pay high fees to roll over the loan. Each roll over has high fees that never reduce the principal—trapping borrowers in a **cycle of debt**. Installment payday or auto title loans keep borrowers in debt even longer at rates of 500% APR or higher.

### 14-DAY PAYDAY LOAN IN TEXAS

- › Average APR: 463%
- › Average Cost to Repay \$500: Over \$1,200 for borrowers caught in the debt trap.



## IT COSTS TEXANS

In 2015, about **717** vehicles were repossessed per week.



In 2012-15, churches and nonprofits helping borrowers, along with Texas families, collectively paid payday and auto title businesses **\$5.9 BILLION** in fees



## TAXPAYERS BEAR THE COSTS

A 2010 Texas survey found that **76%** of payday and auto title borrowers seeking charitable assistance also receive a public benefit, such as food stamps, Medicaid, or Social Security

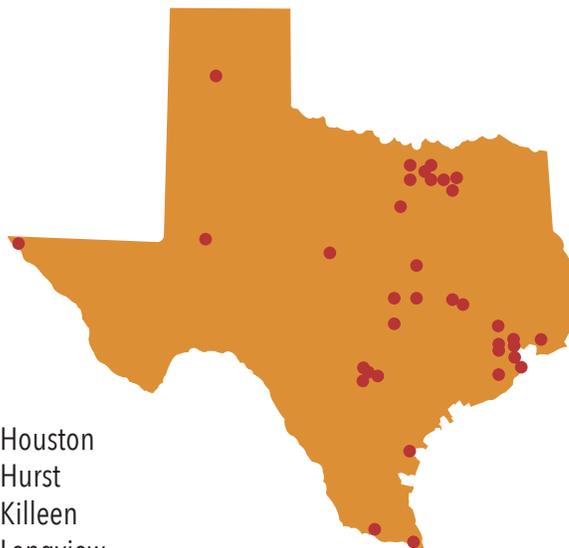
## TEXAS: SAME PRODUCTS, HIGHER FEES

**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 states for a two-week \$500 payday loan:



## 40 CITIES

have passed the unified local ordinance to rein in the most harmful payday and auto title lending practices. **9.6 MILLION TEXANS** are covered by this ordinance.



## CITIES WITH ORDINANCE

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

## SUPPORT STATEWIDE PAYDAY AND AUTO TITLE REFORM:

Expand the city ordinance statewide.

We believe all Texans deserve the same protections a third of Texans already enjoy.

### MAIN COMPONENTS OF THE ORDINANCE

- › Payday and auto title stores operating as credit access businesses (the new state licensing designation for these businesses) must register with the city.
- › Payday loans including all charges are limited to **20%** of the borrower's gross monthly income. Auto title loans including all charges are limited to the lesser of **3%** of the borrower's gross annual income or **70%** of the vehicle value.
- › Loans **cannot** have more than 4 installments or 3 rollovers or renewals.
- › The proceeds from each installment or renewal must reduce the loan principal by **25%**.
- › A rollover or renewal is defined as an extension of consumer credit made within seven days of the previous extension of credit.

### RESOURCES:

Texas Fair Lending Alliance › [www.texasfairlending.org](http://www.texasfairlending.org)  
On Twitter: @TXFairLending › On Facebook: [www.facebook.com/TexasFairLendingAlliance](http://www.facebook.com/TexasFairLendingAlliance)



Texas Fair Lending Alliance

FAIR PRODUCTS ● HEALTHY ECONOMY

The TEXAS FAIR LENDING ALLIANCE is made up of more than 60 organizations from across Texas

# WHY SHOULD CHRISTIANS CARE?

## SCRIPTURE PROHIBITS USURY AND COMMANDS US TO CARE FOR THE POOR.

*If you lend money to  
My people, to the poor  
among you,  
you are not to act as a  
creditor to him; you shall not  
charge him interest.*

**EXODUS 22:25**

*But whoever has  
the world's goods,  
and sees his brother in need and  
closes his heart against him,  
how does the love of God abide  
in him?...let us not love  
with word or with tongue,  
but in deed and truth.*

**1 JOHN 3:17-18**

*If you lend to those from  
whom you expect to receive,  
what credit is that to you?  
Even sinners lend to sinners in  
order to receive back the same  
amount. But love your enemies,  
and do good, and lend,  
expecting nothing in return.*

**LUKE 6:34-35a**



## SUPPORT JUST LENDING PRACTICES

- › Contact your state legislators and ask them to support meaningful payday and auto title reform that solidifies the municipal ordinances in state law while including the fees, interest, and principal in the borrowing limitations.
- › Engage your city council members and ask them to pass a local ordinance regulating payday and auto title lenders.
- › Educate your pastors and fellow church members about the dangers of payday and auto title lenders.
- › Offer financial education classes to church and community members.

For more information contact:

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CHRISTIAN LIFE COMMISSION

*Do Justice. Love Kindness. Walk Humbly with God. Micah 6:8*