

Faith Leaders
for
Fair Lending



Texas Fair Lending Alliance

October 4, 2016

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Texas Fair Lending Alliance and Faith Leaders for Fair Lending
comments on proposed rulemaking on payday, vehicle title, and certain
high-cost installment loans

Docket number CFPB-2016-0025 or RIN 3170-AA40

Dear Director Cordray,

Thank you for the opportunity to submit comments on the CFPB's proposed rule on payday, vehicle title, and certain high cost installment loans. The rule will certainly help to end the harms these loans inflict on communities across the state; however, to ensure that it ends the cycle of debt so many borrowers experience, we urge the CFPB to clarify and strengthen the rule. The cycle of ongoing debt that is too common in Texas' payday and auto title loan market hurts the financial stability of working families, seniors, and military families and drains charitable and public resources from our communities.

The Texas Fair Lending Alliance (TFLA), Faith Leaders for Fair Lending (FL4FL), and our predecessor coalitions, 500% Interest is Wrong, and Texas Faith for Fair Lending, have been working since 2010 towards a market with fair and transparent payday and auto title loans that encourage both borrower

and lender success. TFLA is a coalition of over 60 organizations and individuals working to transform the Texas payday and auto title lending market. Faith Leaders for Fair Lending is a coalition of hundreds of faith leaders in Texas coordinated by the Texas Catholic Conference and the Texas Baptist Christian Life Commission.

Since the mid-1990's, faith leaders, social service providers, and nonprofit organizations have tried to reform the predatory practices of payday and auto title lending businesses. In 2001, the Texas Legislature attempted to control payday and auto title lending by bringing those businesses under the jurisdiction of the Texas Office of Consumer Credit Commissioner (OCCC) and squarely within the state's consumer lending laws; however, the majority of the industry began using the "rent-a-bank" model to get around the 2001 law. In 2005, following the adoption of FDIC guidelines limiting bank payday lending practices, payday lenders in Texas found a new model, classifying themselves as Credit Services Organizations (CSO), to evade state usury caps. After the move to the CSO model, there was tremendous growth of the payday and auto title lending industry; in 2004, there were 1,300 storefronts in Texas and today there are over 2,500 storefronts.

Through our work, TFLA and FL4FL collect borrower stories, stories like those of Tiffany Richardson and Evelyn Hatchett, both of whom lost their cars to auto title lenders. Tiffany's mother received a cancer diagnosis that caused Tiffany to miss a lot of work to care for her, eventually leading to the loss of her job, her home, and her savings, amounting to what she said was a "perfect storm of financial disaster."¹ After relying for months on family and friends, Tiffany took out an auto title loan, then another on her second

¹ Corrie MacLaggan, *Thousands Lose Cars Amid Calls for Restrictions*, Texas Tribune (Aug. 24, 2014), available at <https://www.texastribune.org/2014/08/24/payday-lending/>.

vehicle, eventually losing both of her cars, when she could not keep up with the payments on the amount she owed, which was several times more than what she originally borrowed.² As Tiffany said of the payments, “You’re like a hamster on a wheel.” For Evelyn Hatchett, after getting behind on some bills, she paid \$4,000 on a \$1,500 title loan, but still had her car repossessed. As she said about her ordeal, "You're just giving them free money, it's all just fees. It doesn't touch the principal amount."³

TFLA and FL4FL have worked at the state, city, and county level towards reform of payday and auto title lenders. On account of the lenders’ tremendous growth and corresponding economic drain, the issue has gained a high profile across the state with more and more community organizations, faith leaders, elected officials, social services providers, and advocates calling for reform. In 2011, there was a groundswell of bipartisan support for reform with more than 50 individuals and organizations providing testimony in support of bills to limit rates and fee charges.⁴ That same year, a survey by the Texas Catholic Conference found that Catholic Charities paid over \$1 million in one year to help clients trapped in payday loans.⁵ While a

² *Id.*

³ Mike Morris, *City lists rules for payday lenders but wants lawmakers to act*, Houston Chronicle (Feb. 6, 2013), available at <http://www.chron.com/news/houston-texas/houston/article/City-lists-rules-for-payday-lenders-but-wants-4254176.php>.

⁴ The bipartisan effort resulted in the passage of a bill that improved the regulatory situation in Texas, but did not address the exorbitant fees and faulty loan structure that lead to a cycle of debt. The new laws were small steps forward for consumers: one bill required detailed cost disclosures and the other established licensing under the CSO Act as well as data collection to better understand industry operations. The witness list for HB 410 from the 82nd Texas Legislative Session illustrates the breadth of support for reform:
<http://www.capitol.state.tx.us/flodocs/82R/witlistmtg/html/C3952011032208001.HTM>.

⁵ Kate Shellnut, “Texas religious leaders want tighter regs on payday loans,” *The Houston Chronicle* (March 28, 2011). Available at: <http://blog.chron.com/believeitornot/2011/03/texas-religious-leaders-want-tighter-regs-on-payday-loans/>.

compromise measure passed with new licensing, data collection and disclosures, the lenders' large lobby pushed to remove the cycle of debt protections and rate caps.

On the heels of the 2011 legislative session, the City of Dallas adopted what later became known as the unified payday and auto title loan ordinance to begin to address the cycle of debt caused by these loan products. Since then, 38 cities across Texas have now adopted the unified ordinance.⁶ As ordinances expanded across Texas, our coalitions sponsored polling to assess Texans' attitudes towards payday and auto title loan businesses. That poll found that 75% of surveyed registered voters in Texas supported legislation to lower consumer costs on these heavily marketed small-dollar loans that trap many payday and auto title borrowers in mounting debt.⁷ Even with this showing of widespread popular support, bi-partisan co-sponsorship, and advocacy from diverse coalitions such as TFLA and FL4FL, none of the statewide reform bills filed in 2013 or 2015 made it through the legislative process.⁸

In addition to the unified ordinance, at least fifteen cities across the state have passed zoning ordinances aimed at controlling the growth of payday and auto

⁶ The unified ordinance limits renewals of payday and auto title loans, requires each payment to reduce the loan principal by at least 25 percent, and limits loans based on borrowers' ability to pay.

⁷ Press Release from Texas Fair Lending Alliance and Texas Faith for Fair Lending, *Two Major Coalitions Team Up to Push for New State Laws to Rein in High-Cost Payday and Auto Title Lending in 2013*, (Jun. 21, 2012), available at <https://www.texasappleseed.org/sites/default/files/77-PDL-PressReleasePollJune2012.pdf>.

⁸ Texas Faith for Fair Lending website, available at <http://www.texasfaithforfairlending.org/>; Texas Fair Lending Alliance, Alliance Members available at <http://www.texasfairlending.org/about/alliance-members/>.

title loan storefronts.⁹ In addition, other cities and counties have passed resolutions asking for state lawmakers to do more to regulate the payday and auto title industry as well as resolutions to ensure that municipalities retain the ability to regulate payday and auto title businesses. TFLA and Faith Leaders for Fair Lending have also worked to promote alternatives to payday and auto title loans, something that is critical to helping people in need of small-dollar loans.

Payday and auto title lending is a \$5.8 billion industry in Texas with APRs averaging from 200% to over 500%. Data on these businesses shows a market dominated by fees and refinances. From 2012 to 2015, refinances and fees made up 68% or more of the total dollar volume of the market, which includes both short- and long-term loans. Fees have increased at a rapid rate over the past four years. Fees rose by 34% from \$1.24 billion in 2012 to \$1.67 billion in 2015, while the dollar value of new loans fell by 9%.¹⁰ Much of this increase in fees is due to the growth of installment lending, whose volume grew by 112% over this same period. Overall, the market share of single payment payday loans is declining while installment payday loans and single payment auto title loans are rising.¹¹

On a \$300, two-week payday loan, payday lenders typically charge 662%.¹² Annually, these high cost lenders drain \$1,240,697,188 in payday fees and \$432,068,934 in car title fees, a significant loss both to borrowers and to the

⁹ Texas Municipal League, *Payday Lending Clearinghouse*, available at <http://www.tml.org/payday-updates>.

¹⁰ Texas Appleseed, *Payday and Auto Title Lending in Texas: Market Overview and Trends 2012-2015*, 4 (2016), available at https://texasappleseed.org/sites/default/files/Payday-Auto-Title-Lending-Tx_MktOv-Trends2012-2015Rev.pdf.

¹¹ *Id.*

¹² Center for Responsible Lending, *Map of U.S. Payday Loan Interest Rates* (2016), available at <http://www.responsiblelending.org/research-publication/map-us-payday-interest-rates>.

overall state economy.¹³ This is particularly detrimental to Texas' 1.5 million veterans and its communities of color, populations whom the payday and car title loan industries target and exploit. Payday lenders' ability to seize money directly out of borrowers' bank accounts and car title lenders' ability to threaten repossession of borrowers' vehicles leaves borrowers with little choice but to re-borrow, becoming more deeply mired in a cycle of debt.

In a recent survey of TFLA members and affiliate organizations, including social service providers and charitable organizations, half of respondents said 50% or more of their clients had a payday or auto title loan. Furthermore, 70% of respondents said that over half of their clients were pulled into a cycle debt because of these loans. This survey builds on data collected by the Texas Catholic Conference in 2012 that found one out of every three people that walked through their charities' doors were struggling to pay off a payday or auto title loan.

The CFPB's rule would help borrowers across Texas like Evelyn and Tiffany by starting to thwart predatory lending practices. We applaud many aspects of the rule, particularly its broad scope, the included ability to repay standards, and its role as a floor on which other protections can be layered. The story of payday and auto title loans in Texas is one of constant innovation and evasion; the rule recognizes the expansive nature of the industry and its predatory products by covering a broad scope of loans. For many of the loans covered, the rule establishes reasonable underwriting

¹³ Center for Responsible Lending, *Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year* (2016), available at <http://www.responsiblelending.org/research-publication/payday-and-car-title-lenders-drain-8-billion-fees-every-year>. A 2015 study from the Texas League of Women Voters found that payday and auto title businesses caused an estimated estimated loss of \$351 million in economic value and a loss of 7,375 jobs in 2014. League of Women Voters, *Facts and Issues: Payday and Auto Title Loans in Texas* (August 2015), available at <http://www.lwvtexas.org/files/StudyPayDayLoansFactsIssues.pdf>.

standards ensuring lenders evaluate borrowers' ability to repay loans. In addition, the rule requires notice to consumers prior to attempting to collect payment from their account and limits the number of failed attempts by lenders to withdraw funds from borrowers' accounts. These are all important measures, but we are concerned that without strengthening them, many of them could be rendered ineffective.

The following aspects of the rule should be addressed to ensure that lenders cannot continue their predatory practices.

- **Require ability to repay standard for all loans, with no exceptions:**

The core principle of the CFPB's proposal is the right approach – requiring payday and auto title businesses ensure loans are affordable for borrowers.¹⁴ It is critical the rule apply this basic principle to every loan – with no exceptions and no room for future evasion. Guaranteeing that borrowers can repay loans without having to re-borrow or default on other expenses is essential to ending the current predatory business model, and we strongly support this approach. As currently written, the proposed rule contains dangerous loopholes that significantly undermine the ability to repay standard, a standard that should be applied to all loans. Currently, the proposal could allow six 600% APR payday loans a year without any ability to repay standard. This is six unaffordable loans too many. In addition, the rule exempts longer-term payday loans with high origination fees from its proposed ability to repay test as well as loans where the lender takes access to the

¹⁴ Small dollar lenders in Texas are regulated under Chapter 342 of the Texas Finance Code, where lenders “must consider, in determining the size, duration, and schedule of installments of a loan, the financial ability of the borrower to repay the loan.” Payday and auto title loan businesses are not subject to Chapter 342; the CFPB's rules would ensure the payday and auto title lending industry also must account for borrowers' ability to repay their loans. See 7 Tex. Admin. Code §83.852.

bank account or the car after 72 hours of making the loan.¹⁵ These loopholes must be closed; the ability to repay standards should apply to all loans.

- **Long-term loans need added protections to ensure affordable terms:** As the rule stands, there are few protections from a likely scenario of increasing the length of the loan term in order to cloak unaffordability. Though Texas state law and the city ordinances include payment limitations and effective limitations on the length of the loan, the online space in Texas includes many lenders evading state consumer lending laws. A Texas borrower recently asked one of our partner organizations for help, because she was buried under a \$2,500 4-year loan that included a total repayment of \$13,000. When she asked for help, she had already paid \$9,000 on the loan and still owed much of the principal. Under the current long-term lending proposal, this loan could meet an affordability test, unless there are further objective standards in the rule, such as a hard backend default rate that elevates regulatory scrutiny and a front-end loan term standard to ensure that loan terms are commensurate with the size of the loan.¹⁶

¹⁵ In Texas, the dangers of allowing unlimited fees have resulted in sky high fees, one of the main reasons the CSO model has thrived. Lenders should not be given the discretion to charge unlimited origination fees; the standard of a “reasonable and proportional” fee is insufficient to ensure that fees are not excessive.

¹⁶ A recent study by the National Consumer Law Center of installment lending recommends that default rates above 10% should be a trigger for added regulatory scrutiny. *See* Lauren K. Saunders, Margot Saunders, and Carolyn Carter. [*Misaligned Incentives: Why High-Rate Installment Lenders Want Borrowers Who Default*](#), at 3(2016). *See* Lauren K. Saunders, Leah A. Plunkett, and Carolyn Carter. [*Stopping the Payday Loan Trap: Alternatives that Work, Ones that Don't*](#), National Consumer Law Center, at 8-18 (2010). Another study by the National Consumer Law Center recommends a one month loan term per \$100 lent, which could provide a helpful front-end standard.

- **Strengthen protections against loan flipping:** We are concerned that the proposed rule does not go far enough to prevent the flipping of borrowers from one unaffordable loan to the next. Borrowers’ short-term debt should not become unaffordable long-term debt; to help, the CFPB should change the cooling off period to 60 days, rather than just 30 days as proposed, between each short-term loan. In addition, it is critically important to strengthen the protections against repeat refinancing of longer-term loans. If lenders can repeatedly flip borrowers from one long-term loan into another – as they do in Texas today - debt will continue to pile up and borrowers will once again be stuck in a debt trap.
- **Clarify that the rule requires compliance from Credit Services Organizations (CSOs) and Credit Access Businesses (CABs):** The rule must aim to prevent payday and auto title businesses from finding ways to continue their current practices by exploiting any ambiguities or loopholes in the rule. In Texas, payday and auto title lenders operate as “credit access businesses” (CABs)¹⁷ with uncapped fees and loan structures that too often keep borrowers in a cycle of debt that extends far longer than the original loan term. The very structure of CABs, where payday and auto title lenders use the state’s credit services organizations law to pose as brokers, as opposed to lenders, exemplifies how these businesses will exploit any loophole they can. While the rule applies to all covered products regardless of the entity making the loan, in some instances, the provisions are at risk of applying to the lender

¹⁷ These designations are codified within the Texas Credit Services Organization Act, Section 393 of the Texas Finance Code.

and its affiliates only, and not the CSO. It is critical that the rule provisions explicitly apply to the “lender”, “service providers” and “affiliates”, so that neither the CSO nor the lenders can evade the rule’s protections.

- **Ensure definitions in the rule encompass state laws and local ordinances:** Thirty-five cities, including Dallas, Austin, San Antonio, Amarillo, and Midland have passed ordinances to address the cycle of debt. Sixteen cities have passed zoning ordinances to limit the clustering of these storefronts in city neighborhoods. It is important that these laws work in conjunction with the rule since the rule provides a floor on which local and state entities can expand. To work in concert, the CFPB should ensure that the definitions encompass of a “loan sequence” explicitly includes the terms “rollover”, “refinance”, and “renewal.” Otherwise, there could be confusion over the terms, confusion which businesses could seek to exploit, even though they refer to the same things. In addition, the term “payment” should include the word “installment” in the definition to avoid any confusion on the applicability of the protections in the Texas city ordinances and the way those protections interact with the new rule.

For every Texan employed by payday and auto title businesses, many more families are struggling, caught in a cycle of debt. The high recurring fees and faulty loan structure create increased financial hardship for Texas families. As Tiffany said to anyone considering taking out a payday or auto title loan,

“No matter how bad it gets,” she said, “do not go.”¹⁸ To change the reality for borrowers like Tiffany, the CFPB’s proposed rule must be stronger.

Attached to this comment letter are supporting documents based on our coalition’s work, including borrower stories submitted to TFLA’s and FL4FL’s members and partners (Attachment 1), a sample of city and county resolutions (Attachment 2), and a 2011 publication documenting the scope of the problem and the breadth of support for reform (Attachment 3).

We commend the CFPB for its important work in this area and look forward to the positive effects this rule will have on the financial well-being of so many Texans across our state. Thank you for this opportunity to comment.

Sincerely,

A2Z Real Estate Consultants
Border Interfaith
Border Interfaith-El Paso
Brazos Valley Affordable Housing Corp.
Brownsville Literacy Center
Builders of Hope CDC
Calder Baptist Church
Calvary Baptist Church
Catholic Charities of Southeast Texas
Center for Public Policy Priorities
Chinese Community Center
Christian Restoration Community
CIS of Cameron County
Citizens for Responsible Lending
CitySquare

¹⁸ Corrie MacLaggan, *Thousands Lose Cars Amid Calls for Restrictions*, Texas Tribune (Aug. 24, 2014), available at <https://www.texastribune.org/2014/08/24/payday-lending/>.

Dallas Area Interfaith
East Village Condominium Owners Inc.
Faith in Texas
Family Promise of East Bell County
Friendship of Women, Inc.
Greater Longview United Way
Habitat for Humanity of Camp County, Texas Inc.
Health Services of North Texas
Helping Hands Ministry of Belton, Inc.
Hispanic Baptist Convention of Texas
Home Sweet Home Community Redevelopment Corp
Irving Cares
Joyce E. Tate REALTORS
Longview Interfaith Hospitality Network
Mathis Economic Development Corporation
Metro St. Louis Coalition for Inclusion and Equality, M-SLICE
Mexican American Unity Council, Inc.
New Hope Housing, Inc.
RAISE Texas
Proyecto Juan Diego
St. Vincent de Paul - Sacred Heart Catholic Church Conference
Texas Appleseed
Texas Baptist Christian Life Commission
Texas Municipal League
TexPIRG
The Metropolitan Organization- Houston
The Women's Resource of Greater Houston
United Way of Tarrant County
United Way of Central Texas
United Way of Greater Houston
United Way of Metropolitan Dallas
United Way of Southern Cameron County
United Ways of Texas

Valley Interfaith
Waco Regional Baptist Association

The following individuals also signed on in support of the letter; where appropriate, their organizations are listed, but only for identification purposes.

Gloria Casas, Financial Coach
Miriam Foshay, League of Women Voters of Texas
Alice Gaulty, Foundation Communities
Linda Garcia, GECU
Rev. Eric Howell, Pastor, DaySpring Baptist Church
Leticia Reyes, Financial Coach
Bob Sanders
Brynne VanHettinga
Paul Ware
Tracey Whitley, Legal Aid Lawyer

ATTACHMENT 1

BORROWER STORIES SUBMITTED TO TFLA

**Borrower Stories Submitted by Members
and Partners of the Texas Fair Lending Alliance**

The following stories represent some of the stories submitted by borrowers to members and partners of the Texas Fair Lending Alliance. The stories below appear in the format they were submitted and are listed starting with the most recent.

**Gloria, Dallas
September 19, 2016**

I took out a title loan for around \$700. When I went back, she said I should get out the whole \$2,000. She said the interest rate is the same and it won't cost you more and I needed the money for my rent. I was paying and nothing was going down. I would make payments and nothing was happening on the principal. The loan was 12% interest. They fired the whole staff there, because they were taking people's money and giving people false information. I paid \$300 every month. They said if I paid a little more it could pay off the loan. They then reduced the loan interest to 10%, which brought my payment down to \$225. They are renewing the loan every month. It is on a month to month.

I am in Dallas, Texas. I am right on the line of Addison. The store is in Richardson, Texas. The last time when I check it, it was going on three years. He told me if you call me by the 20th, I will get \$500 off of that, and then sent you to a location where 7 more payments would pay it off. I'm on social security. I have to pay for medicare supplemental B side. And on top of that trying to pay for a car note, I am struggling. I am struggling month to month trying to make ends meet. From 62-65, they don't allow you to work more than what your social security is. If I am only getting \$12,000 per year, I can't make more than \$12,000. You have to be 66 to get a better paying job. That is the dilemma. At my age, it is hard for people to hire you, so you have to set up on a contract thing. With this, I could get out this loan. I guess I just have to bite the bullet and go ahead and make more money to survive. They capitalize on your situation, on you needing the money and the state of mind that you are in when you need it. You are stressed and scared that you won't have a place to go. When I went in, I was in a panic. I didn't know what to do. They do not explain. When I came back in the second time, that is when they tell me what is going on, but I have already been there a year and a half. I am so distressed trying to survive, that your mind doesn't see anything else. It just sees getting the money to pay your rent and pull you out of that stress situation. You are in a box. All you think about is that you need to get this bill paid. They capitalize on your situation. They sound so nice and so caring until you miss a payment. I called and asked them to work with me when my check didn't come in on time, and they got totally rude. With an average payment of \$275, I have paid them \$9,252.

**Joy: Dallas
September 15, 2016**

I have had to take out auto title loans for years. It has been more than loan sharking, I am finding now. The little bit we were borrowing, it seemed like we have paid it back many

times over. They keep telling me the interest is 10%, but I feel somewhere something wrong is going on. The practices are so unfair.

A lot of the owners are millionaires and they are financing lobbyists and senators. They have taken so much from.

I have a title loan with Loan Star. They moved my title loan outside of Dallas.

I took out this loan 6 or 7 months ago. I came in to make a payment to pay a little extra to hit the principal. Even the small amount, it seems like I was paying it back. My due date is the 13th, and I am carrying some huge late fees. I believe the total that I own is \$500 or \$600. I think I have already met that or more.

**Sharon, Baytown
September 2016**

Sharon had a loan for \$5,000 from TitleMax. She has been paying interest for over three years. She paid \$337 to \$347 per month. She has spent over \$15,000 on a \$5,000. She is currently unemployed and is the single mother of three children. As soon as she gets her unemployment check, she takes it to TitleMax to pay on the loan and has very little left.

**Janice: Belton
February 8, 2016**

My name is Janice. I live in Belton, Texas with my husband and 5 children. I moved from Puerto Rico to New York in 1989. In 2013, my husband was promised a job in Killeen. My whole family moved from New York to Texas because of my husband's new job. We, as a family, were very excited. However, the job that my husband was promised never opened up.

In order to pay for all the bills and an apartment for the 7 of us in my family, we took out an auto title loan in 2012. The amount I borrowed was \$1,500. In the beginning, when I got the loan, I understood from the employee that as I made payments, the amount paid would go to the principal and fees. The employee gave me the impression that the auto title company was just like a regular bank. However, I began to notice that the payments that I made were only fees. The principal was not getting paid off each additional time I went to make payments to the auto title lender.

When I went to speak to the manager the next month, he was transferred to another store and I felt lied to me and that they were stealing my money because it was not what they promised to me. They said that I misunderstood the 20 pages of paper work. I did not know what to do but to continue paying the fees, even though I could barely afford it. In the winter of 2013, I was late on my payment. Because of this, my minivan was repossessed. My family had no car. I was told that it was taken Austin. To come up with enough money to rent a sedan and drive to Austin to get my car back, I sold a lot of personal items and my jewelry. Our whole family had to fit in the sedan for 5 days before

having the time on the weekend to drive down to Austin to get our minivan back. Then we had to drive to Killeen to retrieve our personal items that were left in the minivan. In March of 2014, after 21 months, we had paid more than \$2,100 in fees. We still owed the original \$1,500 on the loan.

Thankfully, Helping Hands Ministry of Belton was able to help me out. They paid the \$1,500 to the auto title company in March. I am so thankful for their help. Without them, we would not have been able to pay it off. We would still be paying money every month to the lender and would still owe \$1,500.

I will never get another loan with an auto title company and I will never recommend a payday or auto title loan to anyone else. I do not think it is fair or right to charge more in fees or interest for the principal loan.

Sammy
November 30, 2015

Defaulted on a payday loan in 2012. Received a call from someone saying that they would file criminal charges. Took out a loan from EZ Money Payday loans in Terrell, Texas. I took out a regular payday loan. I made some payments on it. I then rolled the loan over into a \$700 installment loan. They deposited the difference into my account. My payments every time were \$100 every week—a total of \$1,200. I did that for 2-3 months before I went to the new loan. Under the new loan, I paid \$140 every week or two. I made three payments on it, and then I lost my job and couldn't continue to make the payments. I paid \$1,600 or \$1,700 dollars for a \$700 loan. When I lost my job and knew I couldn't pay, I tried to make an arrangement with them, almost a full week before the payment was due. I was trying to find odd and end jobs. They weren't willing to work anything out with me. They told me that if I missed my payment, I would be in default. The day after the first payment I missed, they started hitting my account. They hit my account two times. I closed the account and cleared my outstanding debt with the bank. They didn't really explain to me—I didn't have any idea how much it was going to cost me to pay this back.

This summer, I was contacted by someone. They called me one morning and said that I had until that afternoon to take care of the charges. I don't have anything like that on my record. I don't want a felony on my record. It scared me. They didn't send me anything in writing. I did pay them with a credit card. I paid them \$1,915 and some change. They said they would send me a receipt, but never did.

A new company called me last week, and told me I had to pay \$752 by 2pm on Wednesday or they would file felony theft charges against me. I was waiting on my check and told them I would pay, but my check didn't come in in time. They told me I had to pay by MoneyGram or by a bank to bank wire. Something didn't seem right, and so I started researching it.

**Dorothy: Fort Worth
2015**

I took out a \$3,630 loan. I have paid \$3,250. . . . Here I am, 81 years old. . . I am paying \$419 per month for 8 months and realized I would get a different number at the top of the form. Why is the payment not going down and the contract number. I thought I would file bankruptcy, but TitleMax told me they would still get paid no matter what. When I realized it was just fees I was paying, I asked, "You expect me to pay this in one month?" The lady did not explain that to me. I would never have taken out the loan. Here I am, the insurance is going to pay me, and it is all going to TitleMax. Some towns have a law against that, but they don't seem to have it here, for my understanding. My car is paid for, and the appraiser is giving me \$4,000. At my age, I cannot get a steady job to pay off a car. At this age, I cannot get anything to pay it off. I have social security income, and I work in the nursery of my church.

**Elizabeth: Denton
October 9, 2014**

I have had this loan for well over a year, in September of 2013 i came into Denton office and made double the amount of my payment so that it would bring principle down. My next payment I was told that i owed same amount. When asked why the reason they had applied the over payment to the following months payment, therefor my principle was still at original amount. Each time i make a payment the representative states that a new contract with new rules has to be applied. First it was that the city of Denton changed the way they could collect fees. She also stated they found a loop hole. My next contract seems to have a waiver of having to carrying their insurance, this makes my original payment of 50 plus up to over 100 plus dollars. I seem to never be making head way on this loan and now they want a new contract that adds a percentage fee. I am a single house income of less then 32k a year raising a Granddaughter and as they say Dieing on the vine. Title Max is ripping me off because they found this loop hole to over charge poor people like myself. They will repossess my vehicle, in turn this will make a domino effect and cost my household the ability to work. I have paid three times the amount i borrowed already and still owe over the twice the amount loaned. Please help take the predator from consuming everything we have and look into the way they have found this loop hole. I agree i've received the loan and agree i need to pay the money back with reasonable charges but this is getting out of hand, I'm never seeing the end of this debt unless i fore fit my transportation. I have been lied to and undisclosed of the many changes in contracts they force consumers to sign. Please Please Help.

**Wendy: Spring
July 30, 2014**

I recently got a title loan for \$1,200.00. I was told by Loan Star Title Loan that the first month I would get \$500.00 off. Lie! They said because of some law that they can't do that after all. They didn't even notify me about this change. They said I don't have to pay anything for the first month but the next month I would have to pay the minimum of \$356.97 but my monthly bill is really \$416.00. Only \$60.00 goes to my principal!!!

WOW!! I will never be done paying this.. This is going to take 2 years just to pay the loan of \$1,200.00. This is ridiculous! Interest is high!! It leaves me in a big bind now. I'm a single mother, 4 kids, full time work, pay rent and all my bills and I receive assistance for food and kids Medicaid. I'm barely making it on my own and now this.. Loan Star had said I qualified to get up to \$1,800.00.. I can't imagine my interest if I would of took that loan.

CD: Dallas
July 30, 2014

My elderly uncle is trying to pay a Title Max car title loan in Dallas, Texas with over 117% interest and can barely afford to pay any other bills. He has been paying on the \$7000 original loan over a year and not making a dent in the loan. He can barely afford food. It was a desperate act on his part to get the loan. If he loses his car he can't work. He is getting physically sick because of the bills.

Michelle: Nolanville
May 22, 2014

I called Western Sky Financial for a loan out of desperation to help pay bills. The interest rate was over 300% for a 1 year term. They loaned me \$800, but only deposited \$500 and said \$300 of it was used for processing fees. The first payment from my personal account did not come from Western Sky but from a company called Delbert Services whom I did not originally create the contract with, nor give my bank details to. I then received an email from them stating they needed my bank details because they were updating their system and before I could reply another company called Cash Call helped themselves to my account as well. I called my bank to stop the payment as it was unauthorized to that company and I received the payment back. I then had to close my checking account and open a new one. I now receive calls everyday from this Delbert Services, 1 time even 9 times in 1 hour.

Jessica: Houston
May 22, 2014

I got a loan to help pay my bills. Because I had recently lost my job, I missed my payment due date by one day and they took my car that morning. I had to pay \$500 dollars extra to get my car back and still owe \$1000 for a \$700 dollar loan. I don't know what to do. I need my car to bring my daughter to school and to work at my new job delivering auto parts, so I'm stuck.

Yvonne: Houston
May 1, 2014

I got an auto title loan for \$2,100 to cover my brother's funeral expenses. I rolled it over 10 times and ended up paying about \$5,000. I had to rob Peter to pay Paul, pawning my

computer and all my jewelry, everything. I am on a fixed income and was paying about \$430 per month and another \$130 for some sort of insurance, leaving me with very little for the rest of the month. My advice to people considering an auto title loan: don't do it.

Cynthia: Dallas
April 30, 2014

I have taken out 3 Payday loans and a car title loan. I'm trying to keep up with car payments, insurance, lights, water and rent so I have to keep paying the finance fee. My title loan is due in full on 4/15 that's \$1100.00. I paid once over the finance fee but that was in vain because it just went back on the loan.

Tiffany: Marble Falls
July 30, 2013

I started out with a Loan from Check N Go.. I thought wow this is nice. I was so happy I could get out of my financial bind.. little did I know I was working myself into a much worse debt that I ever imagined. I kept getting loan after loan.. just trying to keep up with my first loan. Now I have seven outstanding loans.. I am a single mother. I have no idea what to do. Is there anyway to pay them back only what I originally owed without interest? I have already paid them enough interest in the first place with all the renewals.

Clyde: Houston
January 15, 2013

The results left a bottomless result in my life, one which determined how I had to live up to this day. I had no gripes with the company when the loan was first given, everything they did at first helped me out a lot. I was late on payments, which I would go in and make arrangements with them, always bringing things up to date. There was never any indication from me to show that I was not going to pay back the loan.

One day while at work I went outside and my car was gone. I called the police because I was sure that someone had stolen my vehicle. Through these conversations with the police they pointed out that maybe it was the payday loan company that took my car. To my surprise that was what happen. I called the loan company and their explanation was that they had tried to call me at work but could not get a hold of me. Upon further inquiry I found that the loan company told their lenders to call in the loan by taking the car and giving me one month to pay off balance, which was something I could not do.

My pleas and letting them know how necessary it was to have transportation to work, day-to-day living and doctors visits since I was a heart patient. The value of the car was around 15k whereas the loan amount was around 2K. There was nothing I could do. I didn't have money to go to lawyers. The car was paid off. I had recently retired from my job, paid off all bills, knowing that at 62, the car was a necessity.

I felt as though I was helpless since everything was within their power with the rules of loans. To this day I have yet to recover in my mind the big loss I had suffered from taking that loan. GOD has been on my side for I follow him. Never a day goes by when I know in my mind that they didn't have to do what they did. That was the greatest loss of my life plus a big lesson learned from it. This is the first time I've shared this with anyone, hoping that it will help others in their decisions to go this route in their time of need.

Thanks for letting me share my experience with an auto title loan.

Patricia: Dallas
January 15, 2013

My daughter had a payday loan and we couldn't eat or pay the lights to keep us warm. Early one morning, I heard this truck pull into the driveway to take her car. We ran outside to block them from taking the car away. Several days later they came back and took the care. It cost us \$1,800, which led to us losing our house. Now we are homeless. They all need to be put out business with their over price tactics.

Deborah: Fort Worth
January 15, 2013

It comes down to "a world shattering experience" for myself and everyone I have ever known who has gotten one of these loans.

Two of my friends (also on disability) had taken out car title loans: The bottom line was IT WAS TOO EXPENSIVE and they BOTH HAD THEIR CARS REPOSSESSED. The manager showed no compassion even though both friends tried to make arrangements. Working for 35 years and becoming disabled after 5 back surgeries over an 8-year period, I suffered with not only a physical/mental disability but a financial disability as well. My credit was severely effected prior to my disability award so I had to turn to a payday loan like countless others who can not get a loan with a decent interest rate.

Every friend, family member and myself have renewed the payday loans a minimum of 2 or 3 times and paid excessive finance charges while only saving money to pay the principal. I get sick knowing that I will need extra money during any given month, since it is so difficult living on Social Security alone. Credit scores do not tell you what a person is really like or has endured to get where they are – we all need a little help from time to time. Sad it has to be from the predatory lenders and not a credible financial institution.

Jo Ann: San Antonio
January 15, 2013

My daughter was left penniless by her husband of 15 years. The last three years of their relationship, she was a stay at home mom. When he left, she had to take over the bills

including the house rent. She had no job and we helped her all we could. She was desperate so she went to one of these title companies. She received \$5,000 on a 2007 Nissan Murano. A year later she still owes \$5000 and pays \$600 monthly on the vehicle. She still hasn't gotten a job and had to move back with us (plus her four children). I would like to make it harder to get these types of loans because at this rate, she might never get her car title back.

Raquel: Cedar Park
January 15, 2013

I borrowed \$1,000 on a title loan about 3 years ago to help my daughter through college. I could not afford to pay the \$1,300 that they wanted all at once. So I made payments for more than two years. Thus paying them well over \$3,600. Finally I had enough and quit paying them. Unfortunately, they towed my car and I had to pay them an extra \$800 to get it back. I still owe them the initial \$1,300 plus interest. As far as I am concerned they can have the car. I will not give them another cent! This is a bad decision that I will never make again!

ATTACHMENT 2

CITY & COUNTY ORDINANCES/RESOLUTIONS



BEXAR COUNTY COMMISSIONERS COURT

BEXAR COUNTY COURTHOUSE

100 DOLOROSA, STE. 1.20

SAN ANTONIO, TEXAS 78205-3038

(210) 335-2555 Telephone • (210) 335-2926 Fax • www.bexar.org

NELSON W. WOLFF
COUNTY JUDGE

SERGIO "CHICO" RODRIGUEZ
COMMISSIONER, PCT. 1

PAUL ELIZONDO
COMMISSIONER, PCT. 2

KEVIN A. WOLFF
COMMISSIONER, PCT. 3

TOMMY ADKISSON
COMMISSIONER, PCT. 4

RESOLUTION

SUPPORTING HOUSE REPRESENTATIVE JOE FARIAS TO REQUEST THAT THE TEXAS STATE LEGISLATURE AND GOVERNOR OF TEXAS TAKE ACTION TO COMPEL PAYDAY AND AUTO TITLE LENDERS TO STOP USURIOUS LENDING AND COMPLY WITH THE SAME STANDARDS AS LICENSED CONSUMER LENDERS IN THE STATE OF TEXAS.

WHEREAS, Commissioners Court of Bexar County is cognizant of the epidemic of usurious lending practices of payday and auto title lenders that threaten the financial future of countless Texans already struggling to make ends meet, many of whom are unlicensed and charge fees in excess of 500% annual percentage rate; and

WHEREAS, the typical payday or title loan borrower has a median household income between \$25,000 to \$50,000 and the Bexar County median household income is \$45,794; and

WHEREAS, research indicates that military personnel are often targeted by payday and title loan lenders through their ubiquitous presence around military installations or through the use of terms to affiliate themselves with the military; and

WHEREAS, the Department of Defense warns "predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all volunteer fighting force"; and

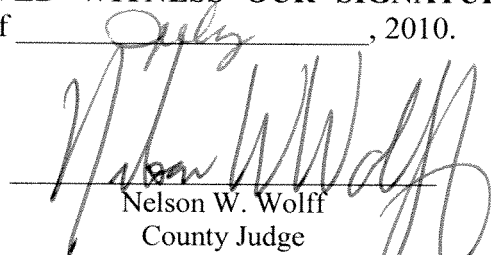
WHEREAS, Bexar County is proud to support a strong military population and anticipates an estimated population increase of 3,026 military personnel through 2011 due to the BRAC expansion; and

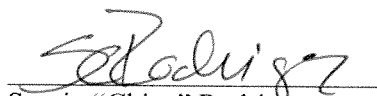
WHEREAS, Bexar County has a significant interest in promoting the financial and mental health of our service members;

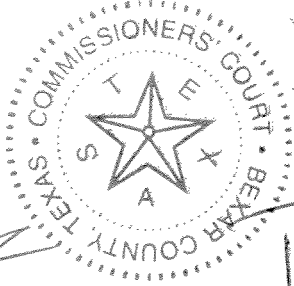
Bexar County urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

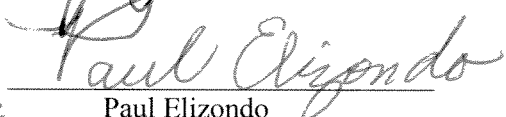
1. Close the **loophole** in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
2. Provide a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these businesses engage in fiscally sound lending that supports the well-being of our communities.


PASSED AND APPROVED WITNESS OUR SIGNATURES AND SEAL OF OFFICE, this 14 day of July, 2010.

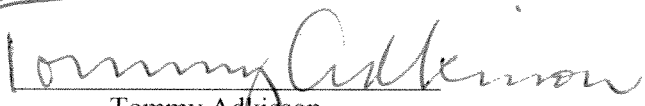

Nelson W. Wolff
County Judge


Sergio "Chico" Rodriguez
Commissioner, Precinct 1




Paul Elizondo
Commissioner, Precinct 2


Kevin A. Wolff
Commissioner, Precinct 3


Tommy Adkisson
Commissioner, Precinct 4

RESOLUTION NO. 2010-027

A RESOLUTION OF THE CITY OF BROWNSVILLE TO REQUEST THAT THE TEXAS STATE LEGISLATURE AND THE GOVERNOR OF TEXAS TAKE ACTION TO COMPEL PAYDAY AND AUTO TITLE LENDERS TO STOP USURIOUS LENDING AND COMPLY WITH THE SAME STANDARDS AS LICENSED CONSUMER LENDERS IN TEXAS.

WHEREAS, the Council/Board of Commissioners of the City of Brownsville, represents the citizens of the City of Brownsville; and

WHEREAS, citizens of the City of Brownsville are deeply concerned about harmful effects of payday and auto title lending practices in our community and elsewhere in the state of Texas; and

WHEREAS, in the state of Texas there are over 3,000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year; and

WHEREAS, there are over 45 of these loan outfits in our local community promising "easy credit" only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt; and

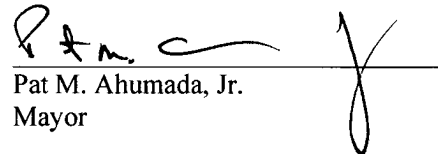
WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force."; and

WHEREAS, we see a crisis in our community and we need action at the state level to enforce fair consumer lending standards in Texas;

NOW, THEREFORE, BE IT RESOLVED that the City of Brownsville urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

1. Close the **loophole** in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
2. Provide a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well-being of our communities.

DONE on this the 6th day of April, 2010.

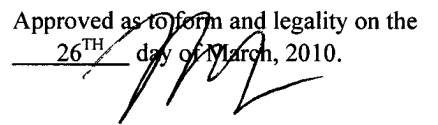

Pat M. Ahumada, Jr.
Mayor

Attest:


Estela Von Hatten
City Secretary



Approved as to form and legality on the
26TH day of March, 2010.


Mark Sossi, City Attorney

10 MAR -8 AM 9:06

RESOLUTION OF THE CITY OF EL PASO TO REQUEST THAT THE TEXAS STATE LEGISLATURE AND GOVERNOR OF TEXAS TAKE ACTION TO COMPEL PAYDAY AND AUTO TITLE LENDERS TO STOP USURIOUS LENDING AND COMPLY WITH THE SAME STANDARDS AS LICENSED CONSUMER LENDERS IN TEXAS

WHEREAS, the Mayor and City Council represent the citizens of the El Paso;

WHEREAS, the citizens of El Paso are deeply concerned about harmful effects of payday and auto title lending practices in El Paso and elsewhere in the state of Texas;

WHEREAS, in the state of Texas there are over 2,800 of these unlicensed and unregulated lending storefronts, making an estimated \$3 billion in high-cost loans to Texas families each year;

WHEREAS, there are many of these loan outfits in our local community promising "easy credit" only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt;

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force"; and

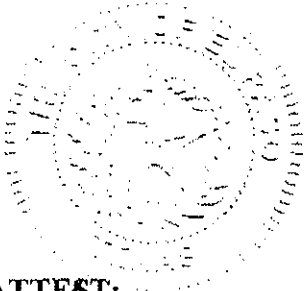
WHEREAS, we see a crisis in our community and we need action at the state level to enforce fair consumer lending standards in Texas.

NOW, THEREFORE, BE IT RESOLVED that the City of El Paso urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

1. Close the loopholes in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%;
2. Provide a level playing field by requiring all lenders and brokers of payday, auto-title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code; and
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well being of our communities.

ADOPTED this 16th day of March, 2010.

CITY OF EL PASO



John F. Cook
John F. Cook
Mayor

ATTEST:

Richarda Duffy Mornsen
Richarda Duffy Mornsen
City Clerk

APPROVED AS TO FORM:

Sylvia Borunda Firth
Sylvia Borunda Firth
Senior Assistant City Attorney

CITY CLERK DEPT.
10 MAR - 8 AM 9:06

February 9, 2011

WHEREAS, the Mayor and City Council of the City of Dallas seek to protect and promote the well-being of the citizens of Dallas; and

WHEREAS, the Mayor and City Council of the City of Dallas are concerned about the effects that certain short-term borrowing practices may have on the long-term financial health of Dallas residents who are facing economic challenges; and

WHEREAS, individuals facing financial crises, medical emergencies, employment issues, or other exigent circumstances often have no alternative to seeking short-term high-interest loans from credit service organizations; and

WHEREAS, these credit service organizations operate in a largely unregulated environment, with no oversight of their interest rates, terms, and conditions; and

WHEREAS, the Legislature of the State of Texas has studied this issue in the past; and

WHEREAS, the regulation of credit service organizations and other consumer lending services falls within the purview of the Legislature of the State of Texas;

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City of Dallas urges the members of the Legislature of the State of Texas to give further consideration to this issue and to pass any necessary legislation to protect the citizens of the State of Texas who may find themselves with no alternative but to seek the type of short-term, high-interest, unregulated loans offered by credit service organizations, and

Section 2. That the City of Dallas requests that the regulatory oversight necessary to ensure adequate consumer protections for all Texans, and fair lending practices by all credit service organizations, be put in place.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas and it is accordingly so resolved.

RESOLUTION

WHEREAS, certain lending practices have recently proliferated in the City of Lubbock, Texas, including the offering of certain "payday" loans and other unsecured installment loans whereby exorbitant interest rates are charged and collected from certain consumers, in circumvention of the State of Texas consumer protection laws; and

WHEREAS, efforts have been undertaken in other cities and states to stem or outright prohibit similar practices in which often triple-digit interest rates were charged to consumers; and

WHEREAS, the City Council of the City of Lubbock, Texas, represents the citizens of the City of Lubbock, Texas; and

WHEREAS, the City Council of the City of Lubbock, Texas senses from the citizens of the City a significant concern over what are widely perceived to be patently exploitative, if not predatory, payday lending practices in the City of Lubbock and elsewhere in the State of Texas, including practices which may exploit that segment of our population that is most vulnerable to such practices; and

WHEREAS, the City Council of the City of Lubbock shares these same significant concerns and wishes to express the collective sentiments of the People of the City of Lubbock, Texas, that the Texas State Legislature and the Governor of Texas should take appropriate action to prevent further exploitative payday lending practices; and

WHEREAS, it is critical that the Texas Legislature and the Governor of Texas give their earnest attention to this matter in the ongoing regular session of the Texas Legislature and enact legislation that will prevent further exploitative payday lending practices.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lubbock, Texas:

1. THAT the Texas Legislature and the Governor of the State of Texas are hereby requested to take action in the ongoing Eighty-second regular session of the Texas Legislature to enact any laws necessary and appropriate to prevent further exploitative payday lending practices; and

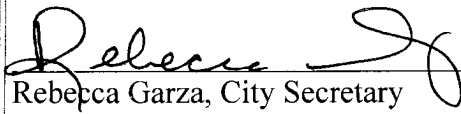
2. THAT the City Council of the City of Lubbock, Texas authorizes and directs the City Manager to send an official copy of this resolution to the Governor of the State of Texas, Lieutenant Governor of the State of Texas, and legislators in whose districts the City of Lubbock is located.

Passed by the City Council this 27th day of January, 2011.



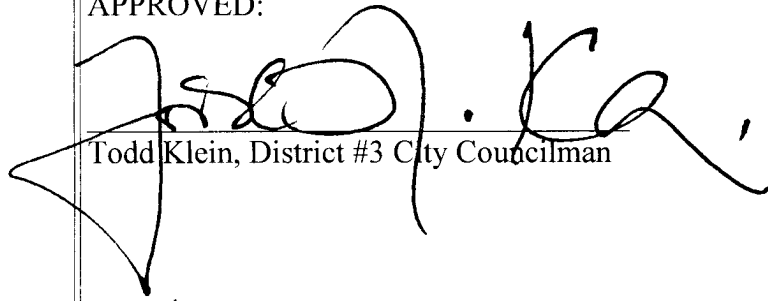
TOM MARTIN, MAYOR

ATTEST:



Rebecca Garza, City Secretary

APPROVED:



Todd Klein, District #3 City Councilman

PayDay Lending Resolution 1.21.11



**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
PERMIAN BASIN REGIONAL PLANNING COMMISSION**

RESOLUTION NO. 2010-047

A Resolution of the Board of Directors of the Permian Basin Regional Planning Commission requesting the Texas State Legislature and Governor of Texas, Lt. Governor of Texas and Speaker of the House of Texas take action to compel Payday and Auto Title Lenders to stop usurious lending and comply with the same standards as licensed consumer lenders in Texas.

WHEREAS, the Board of Directors of the Permian Basin Regional Planning Commission represents the citizens in the 17 counties of State Planning Region 9; and

WHEREAS, citizens of the Permian Basin region are deeply concerned about harmful effects of payday and auto title lending practices in our communities and elsewhere in the state of Texas; and

WHEREAS, in the state of Texas there are over 3,000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year; and

WHEREAS, there are hundreds of these loan outfits in our local communities promising "easy credit" only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt; and

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force", and

WHEREAS, we see a crisis in our communities and we need action at the state level to enforce fair consumer lending standards in Texas; and

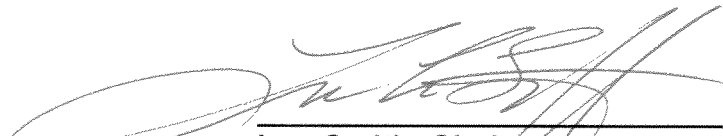
WHEREAS, the Permian Basin Regional Planning Commission was organized under House Bill 319 of the 59th Legislature, as amended, (Article 1011m V.A.C.S.), for the purpose of orderly planning and development of the Permian Basin region.

NOW, THEREFORE, BE IT RESOLVED BY THE PERMIAN BASIN REGIONAL PLANNING COMMISSION:

That the Board of Directors of the Permian Basin Regional Planning Commission urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

- 1) Close the loophole in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
- 2) Provides a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
- 3) Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well-being of our communities.

PASSED AND APPROVED THIS THE 11th day of August, 2010.



Leo Smith, Chairman

Attest:



Mark Barr, Secretary/Treasurer

RESOLUTION NO. 2010-109

**RESOLUTION OF THE CITY OF MIDLAND, TEXAS,
REQUESTING THE TEXAS STATE LEGISLATURE
AND GOVERNOR OF TEXAS TAKE ACTION TO
COMPEL PAYDAY AND AUTO TITLE LENDERS TO
STOP USURIOUS LENDING AND COMPLY WITH THE
SAME STANDARDS AS LICENSED CONSUMER
LENDERS IN TEXAS**

WHEREAS, the City Council of the City of Midland represents the citizens of the City of Midland; and

WHEREAS, citizens of the City of Midland are deeply concerned about harmful effects of payday and auto title lending practices in our community and elsewhere in the state of Texas; and

WHEREAS, in the state of Texas there are over 3,000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year; and

WHEREAS, there are over 45 of these loan outfits in our local community promising “easy credit” only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt; and

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans “undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force”; and

WHEREAS, we see a crisis in our community and we need action at the state level to enforce fair consumer lending standards in Texas;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MIDLAND, TEXAS:

SECTION ONE. That the City of Midland urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011

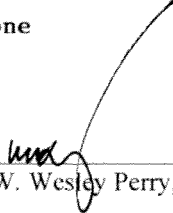
to enact laws that will:

- 1) Close the loophole in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
- 2) Provides a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
- 3) Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well-being of our communities.

On motion of Council member James, seconded by Council member Trost, the above and foregoing resolution was adopted by the City Council of the City of Midland at a regular meeting on the 27th day of April, A.D., 2010, by the following vote:

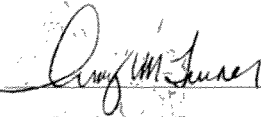
Council members voting "AYE": **James, Trost, Morales,
Hailey, Perry and Sparks**

Council members voting "NAY": **None**



W. Wesley Perry, Mayor

ATTEST:



Amy M. Turner, Interim City Secretary

A RESOLUTION IN SUPPORT OF THE PASSAGE OF LEGISLATION DURING THE 82nd STATE LEGISLATIVE SESSION REQUIRING PAYDAY AND AUTO TITLE LENDERS TO STOP USURIOUS LENDING AND COMPLY WITH THE SAME STANDARDS AS LICENSED CONSUMER LENDERS.

* * * * *

WHEREAS, in the state of Texas there are over 3,000 unlicensed and unregulated Payday and Auto Title Lenders making over \$3 billion in high-cost loans to Texas families each year; and

WHEREAS, there are over 278 of these entities in our local community charging annual percentage rates of over 500%; and

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these types of loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force."; and

WHEREAS, there is a need in our community and action is required at the state level to enforce fair consumer lending standards in Texas; NOW THEREFORE:


BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. City Council supports legislation which would:

1. Close the loophole in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates of over 500%.
2. Provide a level playing field by requiring all lenders and brokers of payday, auto title and other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these entities engage in fiscally sound lending that supports the well-being of our community.

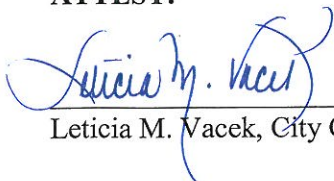
SECTION 2. This Resolution shall be effective on and after the tenth day after passage.

PASSED AND APPROVED this 16th day of December, 2010.



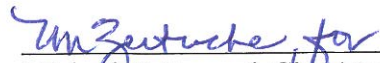
M A Y O R
Julián Castro

ATTEST:



Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:



Michael D. Bernard, City Attorney

RESOLUTION NO. 10-19

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHARDSON, TEXAS, RESTRICTING GROWTH OF PAYDAY AND AUTO TITLE LOAN ESTABLISHMENTS IN THE COMMUNITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council of the City of Richardson, Texas, represents the citizens of the City of Richardson; and

WHEREAS, citizens of the City of Richardson are deeply concerned about harmful effects of payday and auto title lending practices in our community and elsewhere in the State of Texas; and

WHEREAS, in the State of Texas there are over 3,000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year; and

WHEREAS, the City Council of the City of Richardson, Texas, find the predatory practices by these type establishments to be contrary to the economic wellbeing, as well as the health and safety of the Citizens of Richardson, Texas; and

WHEREAS, the City Council of the City of Richardson, Texas, has passed a city ordinance to restrict the growth of payday and auto title loan establishments in our local community promising “easy credit” only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt; and

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans “undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force.”; and

WHEREAS, the City Council of the City of Richardson, Texas, sees a looming crisis in our state and community and we need action at the state level to enforce fair consumer lending standards in Texas;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RICHARDSON, TEXAS, THAT:

SECTION 1. The City of Richardson urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

- (a) Close the **loophole** in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
- (b) Provide a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
- (c) Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well-being of our communities.


SECTION 2. This Resolution shall become effective immediately upon its passage.

DULY RESOLVED AND ADOPTED by the City Council of the City of Richardson, Texas, on this the 9th day of August, 2010.

CITY OF RICHARDSON, TEXAS


MAYOR

APPROVED AS TO FORM:


CITY ATTORNEY
(PGS:file:7-9-10:44320)

ATTEST:


CITY SECRETARY

RESOLUTION No. 3202

WHEREAS, the City Council of the City of Sachse, Texas, represents the citizens of the City of Sachse;

WHEREAS, citizens of the City of Sachse are deeply concerned about harmful effects of payday and auto title lending practices in our community and elsewhere in the state of Texas;

WHEREAS, in the state of Texas there are over 3,000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year;

WHEREAS, we find the predatory practices by these type establishments to be contrary to the economic wellbeing as well as the health and safety of the Citizens of Sachse, Texas;

WHEREAS, we have passed a city ordinance to restrict the growth of payday and auto title loan establishments in our local community promising “easy credit” only to hurt people with annual percentage rates upwards of 500%, and loan terms that often pull people deeper into debt;

WHEREAS, 15 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, “undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force.”;

WHEREAS, we see a looming crisis in our state and community and we need action at the state level to enforce fair consumer lending standards in Texas;

NOW, THEREFORE, BE IT RESOLVED that the City of Sachse urges the Texas State Legislature and the Governor of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

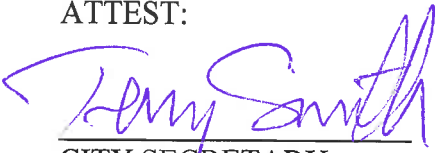
1. Close the **loophole** in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates upwards of 500%.
2. Provide a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code.
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these outfits engage in fiscally sound lending that supports the well-being of our communities.

PASSED AND APPROVED this the 5th day of April, 2010.

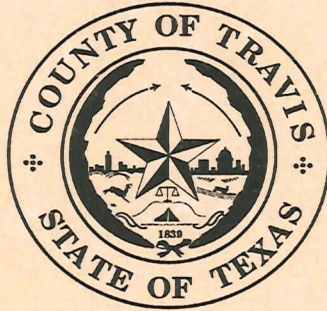
APPROVED:


MAYOR

ATTEST:


CITY SECRETARY

Resolution



RESOLUTION SUPPORTING STATE REPRESENTATIVE EDDIE RODRIGUEZ LEGISLATION TO COMPEL PAYDAY AND AUTO TITLE LENDERS TO STOP USURIOUS LENDING AND COMPLY WITH THE SAME STANDARDS AS LICENSED CONSUMER LENDERS IN THE STATE OF TEXAS

WHEREAS, the Commissioners Court of Travis County is deeply concerned about the harmful effects of payday and auto title lending practices in our community, with loan fees and rates often in excess of 500% annual percentage rate; and

WHEREAS, the typical payday or auto title borrower has a median household income between \$25,000 and \$50,000, the income range of many Travis County households; and

WHEREAS, in Travis County, there are over 100 of these unlicensed and unregulated lending storefronts that threaten the financial future of families already struggling to make ends meet; and

WHEREAS, a Texas survey found that those who utilize high-interest payday or auto title lending do so to cover such basic necessities as paying utility bills, buying groceries or gas, paying rent or home mortgage; and

WHEREAS, these loans have been documented to create an ongoing cycle of debt, with the average borrower paying the loan fees nine times before paying off the loan in full, amounting to a cost of \$840 for a \$300 loan; and

WHEREAS, 17 states and the District of Columbia have adopted a 36% or lower annual percentage rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, "undermine military readiness, harm the morale of troops and their families, and add to the cost of fielding an all-volunteer fighting force."; and

WHEREAS, we see a crisis in our community and we need action at the state level to enforce fair consumer lending standards in Texas.

NOW THEREFORE BE IT RESOLVED, that the Travis County Commissioners Court urges the State Legislature, the Governor and the Lieutenant Governor of the State of Texas to take action in the next regular session of the State Legislature in 2011 to enact laws that will:

1. Close the loophole in state law that allows payday, auto title and other unregulated consumer loans to carry annual percentage rates upwards of 500%, and
2. Provide a level playing field by requiring all lenders and brokers of payday, auto title, or other consumer loans to be licensed and to comply with the same standards and consumer protection laws of licensed lenders under Chapter 342 of the Texas Finance Code, and
3. Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these businesses engage in fiscally sound lending that supports the well-being of our communities, and
4. Create programs that promote financial literacy among the population of people who use payday, auto title, or other consumer loans.

ADOPTED THIS THE 7TH DAY OF DECEMBER 2010.

RON DAVIS
Commissioner, Pct. 1

SAMUEL T. BISCOE
Travis County Judge

SARAH ECKHARDT
Commissioner, Pct. 2

KAREN L. HUBER
Commissioner, Pct. 3

MARGARET J. GÓMEZ
Commissioner, Pct. 4

ATTACHMENT 3

BORROWER STORIES



The Case for Payday and Auto Title Loan Reform

Texans tell personal stories.
Local governments take action.
Experts weigh in.

An introduction

to payday lenders, auto title lenders and credit services organizations.

Texas has a long, proud history of protecting its citizens from unscrupulous lenders peddling products with exorbitant interest rates. Usury protections are built into the Texas Constitution and have been credited with helping save Texas from the worst of the current economic crisis.¹ Yet, over the last decade, the **\$4 billion payday and auto title lending industry in Texas** has succeeded in finding ways to evade the state's usury protections.

Instead of operating as licensed consumer lenders or licensed consumer loan brokers, payday and auto title loan stores are registering as credit repair businesses under the Texas Credit Services Organizations (CSO) Act.² By using this legal loophole, they are able to broker loans with no caps on fees, no examinations, and no meaningful oversight.

Communities across the state are concerned about this growing high-cost lending industry operating outside of the laws established to oversee consumer lending in Texas. The cities of Brownsville, El Paso,

Midland, Richardson, Rowlett, Sachse and San Antonio have all **passed resolutions asking the Texas Legislature to close the CSO loophole.** Bexar and Travis Counties, the mayor of Houston and the Permian Basin Regional Council have also called on Austin to take action.

Loan Rates and Terms Trap Borrowers in Debt

A payday loan is a two-week loan secured by a post-dated check. An auto title loan is a 30-day loan secured by an automobile title. These short-term loans often carry annual percentage rates of over 500%, far exceeding the rates and fees permitted under Texas consumer lending laws.³ A core problem with these loans is that **repayment of the full amount** is required within two to four weeks, which is impossible for most borrowers. Until the entire amount is repaid, in one lump-sum payment, **borrowers must pay high fees ranging from 20 to 30 percent of the loan amount every two to four weeks** – trapping them in a cycle of debt.

A Drain on Family and Community Wealth

Payday and auto title borrowers frequently pay high fees month after month without paying off their loans. The average Texan pays \$840 for a \$300 payday loan and \$1,604 for a \$700 auto title loan.⁴ When auto title borrowers cannot sustain paying these fees, they can lose their vehicles. Although no data exists for Texas, lenders in other states repossess nearly one in ten vehicles.⁵

A recent survey found that 59% of Texas payday borrowers are women, many single mothers; One in five is age 50 or older.⁶ A 2010 AARP study found that 25% of under- and un-banked persons age 44 to 64 and 22% age 65 and older have taken out auto title loans.⁷

Statewide, the economic impact of payday and auto title lenders evading Texas consumer protection laws is substantial. **It costs Texas families between \$800 million and \$1.1 billion in excess fee charges.**⁸ This is money that could go to savings, purchases at local businesses, and local jobs.

An Unfair Playing Field for Consumer Lending

Unlike other consumer loan businesses in Texas, payday and auto title lenders are not licensed, regulated or subject to any meaningful consumer protections. Texas has laws on the books regulating consumer loans. More than 1,700 consumer lending locations currently abide by these rules. They pay licensing fees of \$600 to \$1,200 per licensed site and are subject to oversight and compliance exams.⁹

In contrast, payday and auto title lenders using the CSO loophole pay a \$100 annual registration fee to the state and are not subject to regulatory examinations, fee caps or oversight. Because they are unlicensed, **there is no state agency charged with both recording and responding to individual consumer complaints.**

Protecting Families and Creating a Fair Market

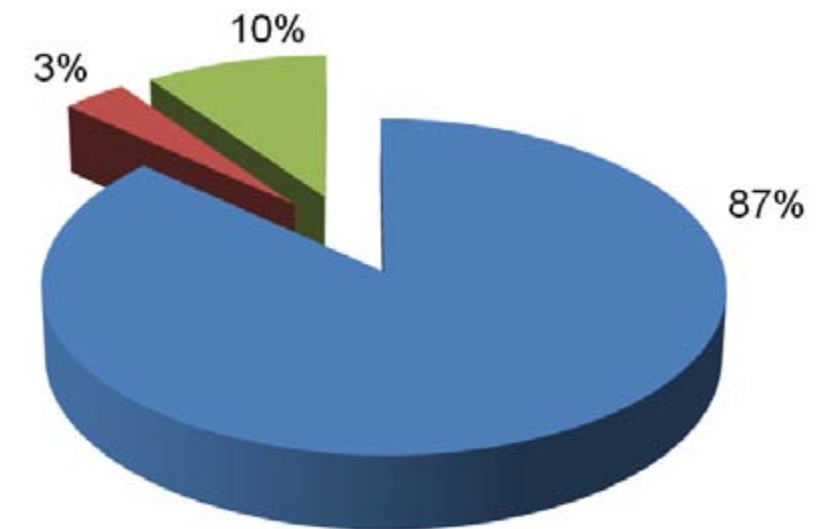
The solution to the problem of unregulated payday and auto title lending is simple: close the CSO loophole.

Closing the loophole would:

- respect the intent of the usury protections in the Texas Constitution,
- support a fair playing field in the consumer lending market,
- add no new regulations,
- create no additional cost for the state of Texas, and
- promote financial stability and fair financial services across our state.

The following pages feature Texans sharing personal stories and calling on the Texas Legislature to close the CSO loophole. From mayors to mail carriers, clergy to case workers, bishops to borrowers, the message is the same:

500% interest loans hurt our communities. It's time to end the special treatment that high-cost payday and auto title lenders are receiving by evading licensing under Texas consumer lending laws. It's time to support fair competition. It's time to close the loophole.



■ Payday and/or Auto Title ■ Credit Repair ■ Other
Only 3% of registered CSO locations are credit repair businesses.

Source: Texas Secretary of State, List of Registered Credit Services Organizations April 2010, Texas Appleseed and LBJ School Analysis.

Travis County

takes action against predatory payday and auto title lenders.

“Victims of this particular situation are very pervasive throughout the poor [communities] of Travis County. We have folks that are located all over the county that qualify as far as being poor, and this is one of the outlets that they use because of their poor conditions. [They’re] never able to escape this type of scenario.

“Unfortunately, the county can’t... change the law per se. It will take the state legislature to do that. Of course, whatever we can do to make sure that happens through this particular resolution... from Representative Eddie Rodriguez...

“There are persons that will not comply... if the law actually passes and it becomes law. What type of penalty setup has been associated with noncompliance? ...In other states there’s always shenanigans that happen after a law is passed, and it requires effective enforcement not only of the state regulator, but also the attorney general as well...

“Solicitation from some of these predators – I call them predators – on the poor are actually even given through mail. In other words, the mail even comes to residents’ homes encouraging... these particular loan practices. And these folks are unaware of the consequences of what they’re getting into.

“So, again, I applaud you... for this initial step because I think it’s a good step in the right direction. But I think the penalty ought to be so severe that folks don’t want to practice this in Travis County anymore. I am really looking for the big penalty phase, the big hammer to make sure that folks will not violate the poor in this community.”

Ron Davis
Travis County Commissioner

On Dec. 7, 2010, the Travis County Commissioners Court passed a resolution calling for the Texas Legislature to stop these predatory lenders:

Whereas the Commissioners Court of Travis County is deeply concerned about the harmful effects of payday and title lending practices...

And whereas a Texas survey found... those who utilize [these lenders] do so to cover such basic necessities as paying utility bills, buying groceries or gas, paying home rent or mortgage...

And whereas 17 states... have adopted a 36 percent or lower annual percent rate cap for these small loans and the federal government has adopted a similar rate cap for payday and auto title loans to the military...

The Travis County Commissioners Court urges the State Legislature, the governor and the lieutenant governor of the state of Texas to take action in the next regular session... to enact laws that will close the loophole in state law that allows payday, auto title and other consumer loans to carry annual percentage rates upwards of 500 percent, and... provide a level playing field by requiring all lenders and brokers of payday auto title or other consumer loans to be licensed...

Austin

residents are among thousands of Texans with horror stories



“Forcing poor families to pay 500% interest on short-term loans is wrong. The extreme interest rates charged by payday lenders create a painful cycle of dependence that traps financially vulnerable families throughout our state.

“It is time to end that cycle and offer families protection from this abuse.”

Bishop Joe Vásquez
Diocese of Austin

“I make a good living, I just don’t have good credit.

“My partner and I had a bill of \$1,400, and just absolutely didn’t have the money to pay for it. My friends and family couldn’t help. I was turned down for a loan by my employer and my credit union.

“I walked into [a payday and auto title lending store] and walked out in 20 minutes with \$500 cash. I thought I would be able to pay it back in two weeks’ time, but then it was our rent due and we had a car thing come up, I just didn’t have the money.

“They made it too easy if you can’t pay it today. To pay off the first one, I borrowed from another company, but then you owe them, it’s just a cycle.

“You go to these places and feel like the lowest person in the world.

“I couldn’t pay my rent or my car payment because I was paying them every month. It was insane. Eventually, I defaulted on the loan so I could stop paying to refinance and just pay down the interest. I worked at Costco on Sundays, and now I walk dogs for extra money. Fifteen months after taking out my first loan, I’m still chipping away at the last one.

“I will never do it again.”

Samie Martinez
Austin

San Antonio

leaders take a stand against predatory lending in their community.

“All you have to do is drive down Southwest Military Drive or one of the other corridors in San Antonio... to see that is a real concern. And particularly some of those that are predatory...”

“So we support this legislation [from Representative Joe Farias] and look forward to its introduction during the session.”

Julian Castro
San Antonio Mayor



Julian Castro
Photo courtesy James Gatz, via a Creative Commons license.

“Representative Farias, thank you very much for bringing this forward. I have a great deal of concern with the new [financial] regulations, a lot of our community banks are going to back out of providing financing for our families that need legitimate financing. And part of the problem that we have here is that we have to identify good organizations that are what I consider nondepository financial institutions that are responsible to help our families...”

“Part of that is to understand the ones that aren’t responsible in helping our families. The representative is doing a very good job of this and I will be willing, at any time I am asked to, to come and try to help on that... I appreciate very much this being put on our agenda.”

W. Reed Williams
San Antonio City Council



Julia Castellano-Hoyt
Photo courtesy AARP Texas.

The San Antonio City Council passed a resolution supporting payday and auto title loan reform on Dec. 16, 2010:

“Whereas there are over 278 of these entities in our local community charging annual percentage rates of over 500%...”

“Whereas... the federal government had adopted a... rate cap for payday and auto title loans to the military based on a Department of Defense finding that these loans, ‘undermine military readiness, harm the morale of the troops and their families, and add to the cost of fielding an all-volunteer fighting force...’

“[The] City Council supports legislation which would...”

“Close the loophole in state law that allows payday, auto title, and other consumer loans to carry annual percentage rates of over 500%...”

“Create a system to collect consumer loan data from lenders and brokers of consumer loans to ensure that these entities engage in fiscally sound lending that supports the well-being of our community...”

“We’re all here in support of the effort, resolution on payday lending and auto title loans. I’m confident that [your] staff has given you all the statistics and all the information regarding this type of loan and what it does to our citizens. My concern is that 59% of those who use these companies are single, [female] heads of households...”

AARP joins with cities from throughout the state in an effort to deal with this issue. Last session, I testified before the [legislative] committee in Austin, and we didn’t get very far... but we hope to this year. We have a strong coalition of people working on this. So I’ll keep my remarks brief, but I do wanna thank you for all you do.”

Julia Castellano-Hoyt
AARP Texas Executive Council

My husband was injured in a car wreck and times were tough. He lost job, and I turned to payday loans; it is hard to get away from them. I borrowed about \$500 and I had to pay back \$668 at the end of the week... House payment, utilities, food, gas – I just don’t know how I will get them all paid off.

Samantha [name withheld]
San Antonio

Midland

residents and elected officials are fed up with predatory lenders.

“People drive by, see the sign for a loan for \$1,000, they say ‘give me the money,’ and they don’t care what the deal is. Later they find out... what the interest rate is and what they’ve paid... We meet people who have gone to payday lenders and are struggling with how to get out [of debt]. The worst are the payday lenders... another organization that’s taking advantage of poor people.

“They hurt our charities and churches, who have to pay people’s food bills, electric bills. Those are needs in our foundations that are getting worse and worse. Payday lenders are definitely putting a burden on churches and generous organizations... This industry does more harm... than the potential harm of losing those jobs if they were gone.”

Wes Perry
Midland Mayor

“Our Legislature in Austin has made a felony legal. They allow car title stores to stay in business, but car title stores are crooks. They’re a way to legally steal a lot of money.

“I didn’t know anything about these places until my mother-in-law’s caretaker came to me for help... She had taken out a title loan to pay for her stepson’s burial... \$5,000 due in 30 days. Right off the bat, that’s impossible... they got her hooked. She paid them \$1,308 in interest each month for seven months, taking out payday loans to pay for the interest on her title loan...

“I went to the district attorney, who was incensed... She was very surprised to have found out that it was all legal. Our Legislature, as it stands today, has given a license for car theft.”

Paul Davis
Midland

The Permian Basin Regional Planning Commission, which oversees 17 West Texas counties, called for reform on Aug. 11, 2010:

Whereas in the state of Texas there are over 3000 of these unlicensed and unregulated lending storefronts, making over \$3 billion in high-cost loans to Texas families each year...

Whereas we see a crisis in our communities and we need action at the state level to enforce fair consumer lending standards...

[We urge] the Texas State Legislature... to enact laws that will... [provide] a level playing field by requiring all lenders... to be licensed and to comply with the same standards...

Borrowers and Experts

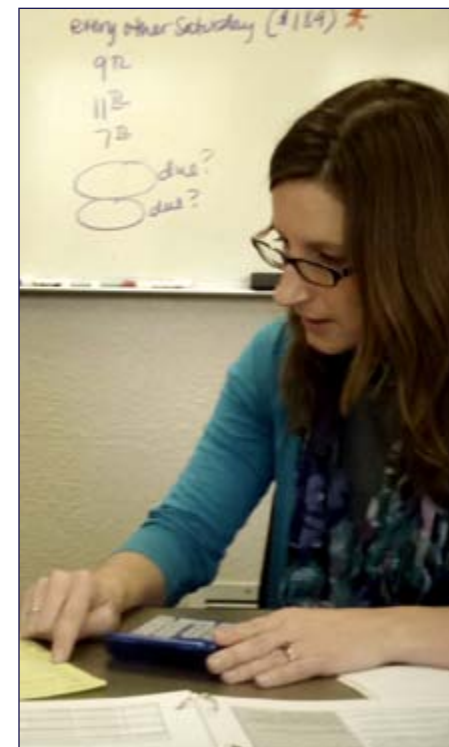
have seen first-hand the real human impact of these harmful loans.



Granbury, Texas
Photo courtesy Dana Smith, via a Creative Commons license.

“After having health insurance refused and then experiencing a stroke and then a heart attack, I could not keep up with my payments... I needed money for prescriptions and needed propane for heating. I thought a short-term loan from [a payday lender] would get me through until my [Social Security disability] check arrived... I make the interest payment and pay down the balance maybe \$50 each month, but it sure kills my budget. There is always something that really needs to be paid and they make it so easy to get cash that most people fall into the trap.”

Larry Perry
Granbury



Karen Lyons Serna
Photo courtesy Foundation Communities.

“Our clients come to us because they’re behind... When they have a payday loan, it’s our top priority to help them get out of it, because it can be impossible to get back on track...”

“We also see clients who are at the end of their resources and are looking at payday loans as their next step... When you don’t have many options, you’re not thinking a week ahead, you’re thinking about ‘how are my utilities not going to be shut off?’ Or ‘how am I going to make my car payment?’ Payday loans fill that niche, but... they’re so hard to get out of.

“Payday loans in the long run do more harm than good. We need to figure out an alternative that is fair, reasonable, and gives people a chance... There’s a role the Legislature plays... in closing the loophole that allows payday lenders to do what they’re doing.”

Karen Lyons Serna
Director of Asset Building Programs
Foundation Communities

Houston

mayor and community leaders join together in calling for reform.

“We got a payday loan to avoid being late on bills, racking up late charges and having things like utilities shut off... I didn’t shop around. I received a flyer for one in my neighborhood. And it was fast – about 20 minutes each time.

“[We took out a loan for] \$800 in principle... We were supposed to pay back \$965 in two weeks, but in order to do that we’d have to not pay some other bill... It took a whole year to pay back the loan. We ended up paying about \$2000...

“To get out of the debt, you really have to cut something major off – don’t pay your rent for a month – because otherwise there is no way to come up with that much money. They just want to take everything from you...”

Crystal Delacruz
Houston

“The harmful effects of payday loans and check-cashing outlets are well documented... In Houston alone, this industry is siphoning an estimated \$70 million annually out of our neighborhoods... If we are to truly help our residents keep more of their hard-earned cash in their pockets, it is imperative that programs like [Bank on Houston, a program making low-cost banking more accessible] be coupled with tighter regulations... It is critical to the financial wellbeing of Texans that payday, auto title, and other consumer loans be placed under regulation like any other financial lender is.”

Annise Parker
Houston Mayor



*Crystal Delacruz and family
Photo courtesy United Way of
GreaterHouston.*



*Jackie Kudlaty
Photo courtesy Care for Elders.*

“I became aware [of auto title loans] through... Ms. K., a 73-year-old raising her granddaughter and great-granddaughter... She was financially struggling to get by on a fixed income... She took out the auto title loan when she fell behind in her rent. She struggled to pay the electric bill and to keep food in the house...”

“She borrowed \$500 with 317% APR. She was supposed to pay \$150 per month and she had difficulty with that. She panicked because she worried she would lose her vehicle. She... took out an extension on the loan, borrowing \$150 to pay what was due at that time... She was not able to get any of the principle paid off... If there hadn’t been funds [from a nonprofit] to get out from this loan, she would still be struggling and she would have lost her car.”

Jackie Kudlaty
Jewish Family Service, Houston

“This is a trend that has increased dramatically over the last few years, both in terms of the percentage of clients that have used payday loans, and also the number of payday loans clients have had to take out...”

There are not many options for clients that need quick cash, but products should also be affordable, and lending should be responsible, to the mutual benefit of the lender and client...”

Nyla K. Woods
President and CEO
Family Services of Greater Houston

“...This seems to us the perfect time to encourage state lawmakers to clean up these businesses by closing the loopholes that permit them to charge unlimited interest and exorbitant fees... We grant that there’s a place for the services offered by these businesses, but only under rules that protect consumers and limit fees and interest rates.

“We’d like to believe that by next Christmas, gift-givers of limited means who need these small loans to brighten the holiday will be better protected than they are this Christmas. But that will only be so if our representatives in Austin act.”

Houston Chronicle Editorial Board

“My dad has stage 4 colon cancer. Both my parents are elderly. They have Social Security, but that’s all they have... I got some grants to help with the treatment, but we have to supplement as much as we can. They will withhold treatment if the money is not there. So I had to take out a payday loan.

“Almost the minute you sign the papers and make your first interest payment, you’ve failed. It sets you up for failure. I took out my second loan to help with the interest payments on my first loan but still be able to help my dad.

“When it came time for the third loan, I was desperate. I thought I could pay off the first, pay the interest on the second, and still have something to contribute. I was in a vulnerable state and got caught up in a situation I couldn’t get out of. It’s embarrassing and it’s awful.

“I kept up the payments as long as I possibly could. After a year, I finally just said, ‘I’m sorry, I can’t keep it up.’ They tried to get me to take out a loan on a closed checking account or to take out a title loan on my car, but I wouldn’t.

“I never say I’m a victim. You do need to be responsible for the choices you make. I was in a vulnerable state, and I got caught up in a situation I couldn’t get out of. I feel like it’s financial bullying.”

Polly Ritter
Garland

On Feb. 9, 2009, the Garland City Council decided to strictly zone payday and auto title lenders. These remarks were from that day:

“...There are some reports that are out that we have looked at, both within the state and nationally, that indicate that in some situations there have been declines in property values that have been attributed to this type of use.

“We provided information on the location of the existing establishments within the city. There are some 43 free standing ones that were identified and they tend to cluster together... that again is perceived to have an impact on property values within the area where they are located.”

Neil Montgomery
Planning Director
City of Garland



Photo courtesy Bruno Furnari, via a Creative Commons license.



Photo courtesy Jason Comely, via a Creative Commons license.



Photo courtesy Seth Anderson, via a Creative Commons license.

“Payday lenders don’t operate well, or ethically. They’re preying on a particular portion of the society, and the effects of these loans percolate back through the rest of society.

“I think payday lending has been declared acceptable because it has been around long enough that for lots of people, this just isn’t an issue, probably because they’re unaware. People of good conscience who come across the loans, whether through personal experience or through a friend or family member, realize there is a morality question and then start to appeal for higher values to apply.

“There are direct statements in the Bible, particularly in the Old Testament, but picked up again in the New Testament, against usury. The Hebrews, out of their sense of relationship with God, were to extend care to those more vulnerable people in society: Don’t overcharge them, don’t overtax them. At the root of that was a directive to act as a steward of material goods on behalf of God. Usury indicated that the means of exchange became idols to those who practiced it.

“In the New Testament, statements from Jesus continue this theme: You cannot worship both God and mammon, always put material goods subordinate in life, be the steward of your material goods and make sure you are contributing to the kingdom’s work and values.

“Money is not the root of all evil; it is the love of money that is the root of all evil.”

Dr. Bill Tillman¹⁰
T.B. Maston Professor of Christian Ethics
Hardin Simmons University

Dallas

grassroots support is growing for increased consumer protections.

“We’ve allowed payday lenders to be one of the fastest-growing industries in the United States. We’ve done a bad job in my opinion of working with the asset-poor... We will put the pressure on Austin, and we will make them take note on this thing. And we will continue to put the heat on predators that want to prey on the poor and the weak.”

Jerry Allen
Dallas City Council

“Lured by promises of quick approval for cash and easy payment terms, congregants and neighborhood residents are left dealing with high upfront fees and exorbitant interest that threatens their economic security...”

“In auto title lending offices, patrons risk the repossession of their cars; short-term loan customers risk putting their households deeper in debt... It’s critical that the community’s leaders, institutions and elected officials take an aggressive role in stemming the tide of businesses that prey upon the vulnerability of our residents.”

Dr. Gerald Britt
Vice President of Public Policy
CitySquare

“[High-interest lenders] are economic predators, and they are literally crippling our community... The last five years, this community has grown. It’s been transformed, and so a payday loan store is just like weeds in the midst of a beautiful garden that we’re trying to create...”

“We’re going to do everything we can to pressure our state lawmakers into closing those loopholes, because, again, these are predators. They are preying on our community.”

Rev. Frederick Haynes
Friendship West Baptist Church



Photo courtesy Tom Magliery, via a Creative Commons license.



Photo courtesy David Herrera, via a Creative Commons license.



Photo courtesy Matthew Rutledge, via a Creative Commons license.

“I am a victim of multi payday loans and an auto title loan. Originally, I only planned to take out one and pay it back within 30 days. Every month, I seem to have a new financial emergency. Now I have five payday loans and one auto title loan which cause me to spend most of my disability check on payday loans. When will this ever end?”

Amanda [name withheld]
Dallas

“I had a friend that took out two payday loans to pay for a funeral. The interest was astronomical and she was left with no money to live on after they took out... around \$800 per pay period. Once you pay the loan off, you have paid more than double of what was borrowed... This should be illegal.”

Cindy [name withheld]
Dallas

“My daughter has almost lost everything trying to keep up payments on her payday loans. She’s moved into a one bedroom apartment with her three children, almost lost her car, almost got evicted. When she stopped paying them to keep from being evicted, they have gone above and beyond the law harassing her and her children and may cause her to ultimately lose her job by harassing her at work, along with her supervisors and co-workers...”

“I think when people are desperate, they think this is an easy way out, but they should know before hand what a horrible mistake these really are! And how much they make your life a living hell.”

Shelia [name withheld]
Dallas

Arlington

residents are finding that payday and auto title loans aren't the answer.

I have a young friend who lost his job. His unemployment benefits did not cover his bills... so he took out a payday loan... He needed the money immediately, doctor bills and car repairs.

“Then he took a second one to pay off the first, but the interest rate had taken his balance due to a point that the second loan wouldn't cover the first. Then he took out a third...

“By the time he finished paying off all the loans, he had paid back nearly five times the amount he had borrowed, all in less than a year. I told him this is usury and should be prosecuted, but he said he was told that it was all legal. If it is legal, then the ones who made it so should be the ones prosecuted...

“To charge as much as these payday loan companies do clearly puts them in the category of loan sharking, which is a criminal offense.”

Mary Sue Sagor
Arlington

“I saw alluring ads about getting a loan to help me between paychecks, so I applied and received multiple payday loans. Well, between paydays issues came up, and I could no longer afford the inflated interest or the full loan amount. So I defaulted with the payday loans and can't afford to pay them... My credit report is not in good standing.

“Payday loans weren't the solution.”

Jared [name withheld]
Arlington



Photo courtesy J.P. Silva, via a Creative Commons license.



Photo courtesy Andreanna Moya, via a Creative Commons license.



Photo courtesy Dayland Shannon, via a Creative Commons license.

Texans

across the state share their personal struggles to make ends meet.

“It started out to help me over a temporary cash flow shortage and has turned into a five year nightmare. I am a single mother who is also a teacher... I am currently using three different payday loan companies in my hometown... Each time you roll it over, the interest increases. Another sad part of this whole scenario is the number of teachers... that I see coming in to make a payment to these places...

“It seems bankruptcy might be the only solution at times and I really do not want to do that... It is definitely a dark hole that I am in with no light at the end of the tunnel.”

Nancy Oliver
Denton

“A couple of years ago, I fell behind in my bills because of an illness and had to borrow money from [a payday lender] for several months as I ‘played catch-up.’ For every \$100 I borrowed, I had to pay back \$18 in 30 days or less! ...I thank God that I caught up after 7 months. However, I paid \$630 in ‘interest’ during that period. Annualized, that comes to... 216%!”

Lawrence [name withheld]
Carrollton

“I went to [an auto title lender] to get \$500 on my title to a 1985 Ford pickup that I use for a work truck. I have paid off the loan twice and the last time I got behind by a week as I had not gotten paid from a customer – I am self employed in landscaping. I called the store to let them know... They added \$100 to my payment for being late and had called a repo company to pick up my truck. I offered to pay something – not the total payment, just something to show I wanted to pay and would pay the loan off ASAP. No deal.

“This is a real ripoff. I have no credit cards and have gone to banks for loans before and have been turned down. How can someone get out of a hole if a company like this... makes money off of people like me that would like to get credit, pay and build a good credit rating?”

Mark Jenks
Marble Falls

End Notes

¹ Article 16, Sec. 11, Texas Constitution. "USURY; RATE OF INTEREST IN ABSENCE OF LEGISLATION. The Legislature shall have authority to define interest and fix maximum rates of interest; provided, however, in the absence of legislation fixing maximum rates of interest all contracts for a greater rate of interest than ten per centum (10%) per annum shall be deemed usurious; provided, further, that in contracts where no rate of interest is agreed upon, the rate shall not exceed six per centum (6%) per annum."

See also: Paul Krugman, "Georgia on My Mind," New York Times (April 11, 2010) citing the important role consumer protections in Texas played in avoiding a more severe foreclosure crisis. Available at: <http://www.nytimes.com>.

² Chapter 393, Texas Finance Code.

³ See Chapter 342, Texas Finance Code.

⁴ Because payday and auto title lenders are unregulated, there is no Texas data on loan volume or transactions. Based on data from Oklahoma, the average payday borrower uses 9 loan transactions per year. The estimate for the cost of a payday loan is based on an average of 9 loans per borrower using the lower end of Texas payday lender charges, \$20 per \$100 for a two-week period plus 10% annualized interest, as the basis. The higher end, \$30 per \$100 and more, would lead to a total cost of \$1110 to borrow \$300.

See: Oklahoma Trends in Deferred Deposit Lending, Veritec (June 2010) at 8.

According to that same study, only 1.3% of payday loans are paid back within two weeks and over 60% of the loans are made to borrowers taking out 12 or more payday loans.

The auto title lending cost estimate is based on an average of 4 30-day loan renewals (a total of 5 loan transactions) and a cost of \$25 per \$100 borrowed plus 10% annualized interest. The average renewals is derived from data from the Tennessee Department of Financial Institutions, which regulates auto title lending and collects data on auto title transactions. The March 2010 industry analysis reflects a weighted average of 4 renewals per new auto title loan transaction. 16% of the loans were renewed 10 or more times.

See: The 2010 Report on the Title Pledge Industry, Tennessee Department of Financial Institutions (March 2010) at 7.

⁵ The 2010 Report on the Title Pledge Industry, Tennessee Department of Financial Institutions (March 2010) at 8. The report indicates that 14, 832 vehicles were repossessed in 2008. There were 161,417 new loans for the same year.

⁶ Short-term Credit, Long-Term Debt: The Impact of Unregulated Lending in Texas, Texas Appleseed (April 2009) at 14 and 15.

⁷ A Portrait of Older Underbanked and Unbanked Consumers: Findings from a National Survey, AARP Public Policy Institute (September 2010) at 57.

⁸ There is no centralized source of data on payday or auto title lending in Texas, because the industry operates

outside of the sphere of regulation. The economic estimate of the cost to Texas families reflects the charges by CSO loan stores that exceed the rates permitted for the same loans under Chapter 342 of the Texas Finance Code. The economic loss estimate does not include Internet lending, which is a substantial segment of the market and could exceed storefront lending in total volume. It also does not include non sufficient funds fees and other penalty fees associated with the loans. A Texas Appleseed and LBJ School analysis of the April 2010 list of registered credit services organization locations in Texas identified 2678 locations offering payday loans and 1776 locations offering auto title loans. Included in these numbers are locations that offer both types of loans. The estimate of average number of payday loan transactions per location and the average amount of a transaction (an average of 2067 transactions per location and an average amount of \$555) is based on information in the 2009 annual reports of two publicly traded companies offering CSO loans in Texas, EZ Corp and Cash America.

See: FORM 10-K ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, For the fiscal year ended December 31, 2009, Cash America International, Inc. and FORM 10-K ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934, For the fiscal year ended September 30, 2009, EZ Corp, Inc.

The auto title lending component of the estimate (which reflects an estimate of 1150 loan transactions per location per year with an average loan amount of \$700) is based on data from the EZ Corp. 2009 10K filing referenced above, using loan

volumes and renewal rates reported in the 2010 Report on the Title Pledge Industry, Tennessee Department of Financial Institutions (March 2010).

⁹ Office of Consumer Credit Commissioner, List of Licensed Chapter 342 F Lenders (July 26, 2010). For licensing fees applicable to these lenders, see: 7 TAC 83.310.

¹⁰ For more information on faith perspectives on payday lending, please see: Amy Wiles, "Analysis: What does the Bible say about lending practices?" Texas Baptist Standard (Feb. 26, 2010). Available at www.baptiststandard.com.

It's time to support fair competition.

It's time to close the legal loophole for payday and auto title lending in Texas.

For more information, visit:

www.texasfaithforfairlending.org

www.stoppaydayabuse.org
