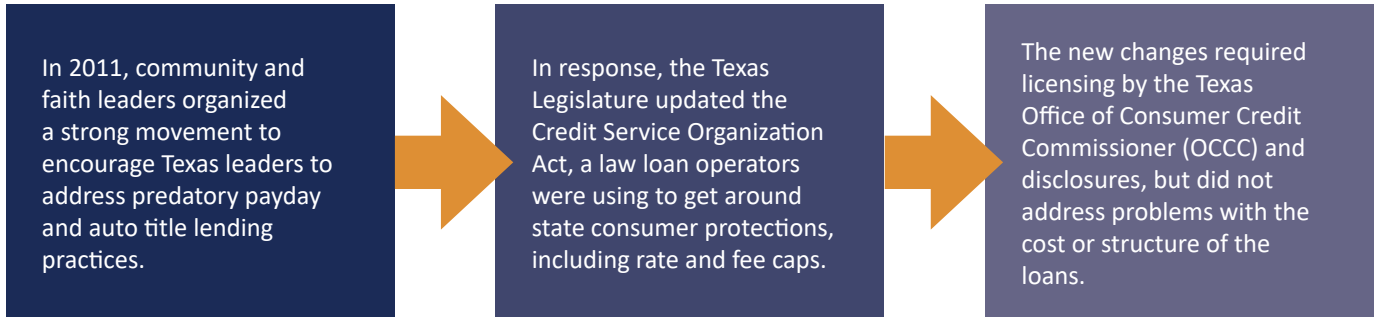


# TEXAS ATTORNEY GENERAL OPINION

## THREATENS BASIC BORROWER PROTECTIONS FOR HIGH-COST LOANS

### HISTORY OF REFORM MOVEMENT



### LOCAL ORDINANCES PROVIDE RELIEF



With families still hurting from the cycle of debt and ongoing economic harms from these high-cost loans, 46 Texas cities adopted additional, commonsense **local protections to address harmful lending practices**. City-based protections have maintained access to credit **and** created better outcomes for borrowers, including lower fees and fewer vehicle repossessions.

### THREATS TO STATE LICENSING, ORDINANCES & FINANCIAL WELLBEING



In November 2019, the Texas Attorney General issued an opinion interpreting state law that **opens a new loophole** to skirt the few state and local protections that apply to high-cost loans arranged under the Credit Services Organization Act, once again leaving vulnerable Texans at the mercy of predatory market practices.

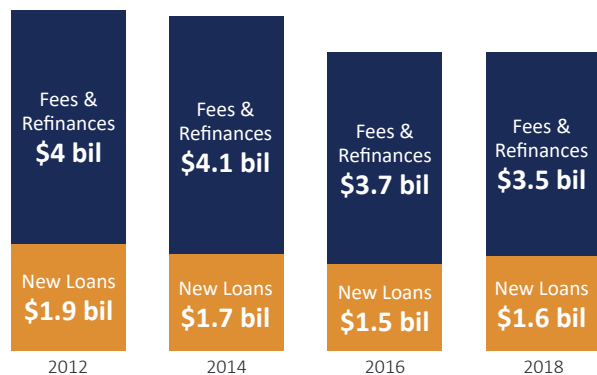
### UNCAPPED PAYDAY AND AUTO TITLE LOANS

*Average APRs, often over 500% interest, drain wealth from Texas communities*

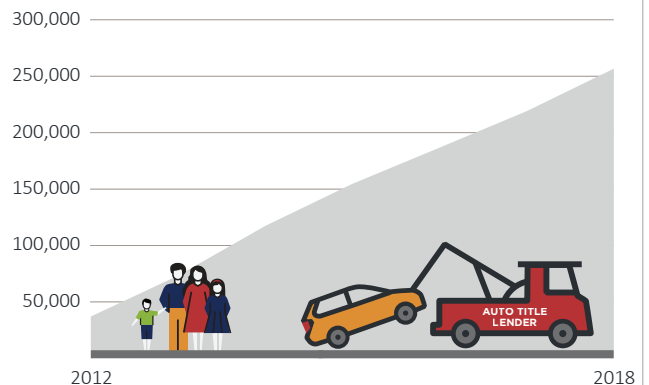


From 2012-2018, payday and auto title loan operations collected **\$11.2 billion in fees** from struggling Texas families. This money could have gone towards basic family needs and local businesses instead of being drained away for 500% plus APR loans.

#### High Fees and Refinances Make Up 70% of the Payday and Auto Title Loan Market



#### Texans lost 256,701 cars, repossessed by auto title lenders. Borrowers often pay more in fees than the original loan. Total Repossessions 2012-2018



## IMPACTS OF THE ATTORNEY GENERAL OPINION ON LAWS GOVERNING HIGH-COST LOANS IN TEXAS

| Standards for Loan Operators Using the Credit Services Organizations Act (State Oversight) | Before the Opinion<br>(2012-2018)            | After the Opinion<br>(Beginning Nov. 2019) |
|--|--|--|
| OCCC Licensing   | Required                                     | Optional                                   |
| Enforcement of Military Lending Act protections  | Enforced by OCCC                             | Unclear                                    |
| Enforcement against unlawfully using criminal charges against a consumer to collect a debt | Enforced by OCCC                             | Unclear                                    |
| Enforcement of Fair Debt Collections compliance  | Enforced by OCCC                             | Unclear                                    |
| Disclosure and reporting requirements  | Applicable to all loans and enforced by OCCC | Optional                                   |
| Standards Supporting Loan Affordability and Addressing the Harmful Cycle of Debt           | Before the Opinion<br>(2012-2018)            | After the Opinion<br>(Beginning Nov. 2019) |
| Loan size limit based on borrower income   | Enforced through city ordinances             | Optional                                   |
| Each payment must reduce total owed by 25%   | Enforced through city ordinances             | Optional                                   |
| Limits on refinances   | Enforced through city ordinances             | Optional                                   |

### WHERE DOES THIS LEAVE TEXANS?



The few protections that were helpful for Texas borrowers are now optional or unclear, leaving more people trapped in a harmful cycle of debt with no clear options for relief.

#### FOR MORE INFORMATION

Texas AG Opinion:

<https://www.texasattorneygeneral.gov/sites/default/files/opinion-files/opinion/2019/kp-0277.pdf>

TFLA AG Opinion Press Release:

<http://www.texasfairlending.org/wp-content/uploads/2019/11/New-Texas-Attorney-General-Opinion-Opens-Yet-Another-Loophole-for-Predatory-Lending-in-Texas.pdf>

Payday and Auto Title Lending Data Sheet, 2018, State of Texas:

<https://www.texasappleseed.org/sites/default/files/Texas2018.pdf>

#### CONTACT US

**Texas Fair Lending Alliance**

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

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