



Texas Fair Lending Alliance

Concerns About SB 1089/HB 2432

[SB 1089/HB 2432](#) increase rates and fees for loans in Texas between \$1,500 and \$2,100, from a cap of 30% interest and a \$100 fee—around 35% APR for a two-year \$2,000 loan to an effective APR of 79% or higher. **With many Texans struggling in today's economy, raising the cost of credit and increasing indebtedness at high interest rates will only make things worse.**

SB 1089/HB 2432 nearly doubles the cost of impacted loans for Texans, with no clear policy justification and no evidence that such a change is needed.

- Interest rates are at an historic low, with the Federal Funds Rate at .09%. As a result, interest rates across a variety of loan products are down, as is the cost of capital.
- Texas already has higher than average rates for all licensed consumer loans, compared to other states. For a \$2,000 two-year loan, the [median rate across states is 31% APR](#).
- Under this bill, Texas would have one of the highest permissible rates—in the top ten among all 50 states—and a \$2,000 2-year loan would cost \$1,202 **more** compared to current law.
- Currently there are limits to the number of time refinance fees can be charged for a \$2,000 loan—just one time per year at the maximum 30% interest rate. Under this bill, loans could be refinanced multiple times during a one-year period and the \$100 fee could be charged as often as one time per month—an additional \$1,100 in loan costs per year.

Some suggest that there is unmet market demand for higher cost consumer loans in the \$1,500 to \$2,000 range, but there is limited data to back that up. Substantial evidence supports a different reading of the current Texas market:

- Making credit more expensive leads to less affordable loans, harming borrowers overall.
- Currently [consumer debt in Texas is at an all-time high](#), and [personal loans are increasing](#) as a percentage of total consumer debt.
- [42% of Texans have a debt in collections](#), 11 percentage points higher than the US average.
- Debt claim cases in justice court increased by [162% from 2014 to 2019](#), meaning more than twice as many Texans are being sued for debts—over 290,000 cases in 2019.

Taken together, these market trends indicate that we need policies that encourage more affordable credit and support a need to reduce indebtedness rather than increase it and at higher rates.

Cost of a \$2,000 Loan in Texas

Under SB 1089/HB 2432, a \$2,000 Loan **Costs at Least \$1,202 More** Than Under Current Law

	Under Current Law	SB 1089/HB 2432
Amount Financed	\$2,000	\$2,000
Term	24 months	24 months
Finance Charge	\$818	\$2,020.00
Monthly Payments	\$117.42	\$167.50
Total of Payments	\$2,818	\$4,020.00
Annual Percentage Rate	35%	79%