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**Unified Ordinance Leads to Fewer Negative Impacts for Texas
Payday and Auto Title Loan Borrowers**

*Texas faith groups, veterans groups, service organizations and
more respond to CFPB's attempt to gut borrowing standards*

AUSTIN, Texas — A new report by Texas Appleseed, a public interest justice center, shows that the unified ordinance — adopted by 45 Texas cities to create affordability standards for payday and auto title loans — is associated with fewer refinances, fewer new loans, and fewer vehicle repossessions. Having the unified ordinance in place is also associated with a significant decrease in the dollar amount of new loans and the dollar amount of fees. The data also indicate that borrowers who desire access to payday and auto title loans continue to have that access under the ordinance.

The report, [*The Impact of the Unified Payday and Auto Title Ordinance*](#), examines the payday and auto title lending marketplace from 2012 to 2017 and the impact of the adoption of the ordinance. Dallas and Austin passed the ordinance in 2011, followed by other cities across Texas.

“The unified ordinance has proven to be beneficial policy for Texas,” said Ann Baddour, director of Fair Financial Services at Texas Appleseed. “It is associated with fewer harmful outcomes for borrowers. Rate and fee caps are the best policy to support a fair consumer credit market, but the simple affordability standards in the unified ordinance are making a positive difference.”

The analysis shows 2012 data compared with 2017 data for 16 regions across Texas.

CFPB's Attempt to Overturn Borrowing Standards

In November 2017, the Consumer Financial Protection Bureau finalized its payday and auto title lending rule to stop the debt trap that predatory loans create by adding better protections for borrowers. The rulemaking process took five years of in-depth research by the CFPB and stakeholders across the U.S. The rule would have gone into effect in August 2019.

In February 2019, under new leadership, the agency announced a complete shift. The CFPB introduced a proposal to gut protections. That initiated a nationwide comment period, which ended last week. The following Texas-based organizations, affiliated with the Texas Fair Lending Alliance, sent official comments to oppose gutting the initial rule and instead keep protections intact: [veteran service providers](#), including [United Ways](#); the [Texas Fair Lending Alliance](#); faith organizations, including [Faith in Texas](#) and the [Texas Baptist Christian Life Commission](#); and [Texas Appleseed](#).

Effects on Veterans

While many people are vulnerable to predatory loans, there are also special populations at risk. Several concerned groups wanted to examine how payday and auto title loans affect veterans, having an understanding of the loan's effects anecdotally through the stories of veterans and their families. Their report, [Thank You for Your Service](#), released in March 2019, revealed that veterans get caught up in payday and auto title loans at much higher rates than the general population. Forty-five percent of the Texas veterans surveyed indicated using a payday or auto title loan, which is 6 times the rate for Texans overall, and 24 percent used the loans more than once per year, compared to 7 percent of adult Texans.

"We know from research that people turn to payday and auto title loans for basic necessities, like rent, groceries and paying utilities," said Baddour. "The CFPB rule and local ordinances play such a key role to make those high-cost loans more affordable for borrowers. Access to those loans are still available, but protections help curb the cycle of debt. And borrowers should know that there are good loan options for small-dollar cash through your local Community Loan Center and through employer-based programs."

In Texas overall, average annual percentage rates on payday and auto title loans range from 200 percent to over 500 percent APR. Texas stands out as having some of the highest rates and worst protections for payday and auto title loans in the country. From 2012 to 2017, Texans paid \$9.3 billion in fees alone for these high-cost loans. During the same time period, almost 220,000 Texans lost a car to an auto title loan, often after paying more in fees than the value of the original loan.

Analyzing Texas Office of Consumer Credit Commissioner data, Texas Appleseed has compiled [market-specific fact sheets](#) on payday and auto title lending.

About the Unified Ordinance

The unified ordinance includes a baseline of standards to address the cycle of debt and unaffordable loans by limiting the size of payday and auto title loans based on borrower income, limiting the loans to a total of four payments, requiring each payment to reduce the loan principal by 25 percent, and limiting refinances.

About Texas Appleseed

Texas Appleseed is a public interest justice center that works to change unjust laws and policies that prevent Texans from realizing their full potential. Our nonprofit conducts data-driven research that uncovers inequity in laws and policies and identifies solutions for lasting, concrete change. For more information, visit www.TexasAppleseed.org.

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