



Center for Public Policy Priorities

Payday Lending In Texas: Bucking the Trend

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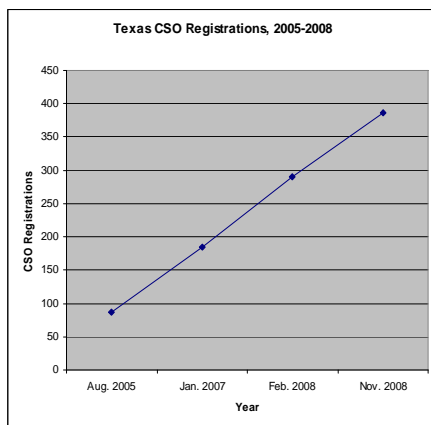
Industry Profile in Texas

- Over 2,800 Payday-CSO Storefronts
- The “Big 8” Payday Lenders
- Dozens of local/independent companies
- Multiple product lines
- CSOs align with 3rd party lender
 - \$100 annual filing fee to Secretary of State
 - No state regulatory oversight
 - No reporting requirement or data
 - No complaint infrastructure

The Cost of Payday Lending in Texas

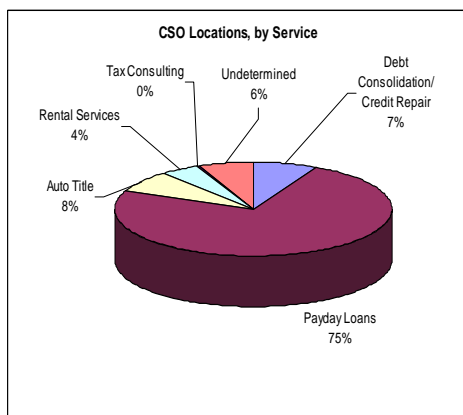
- **Payday Lending Comes at a High Cost:**
 - Estimated Amount in Principal=\$1.5-2B/yr
 - Estimated Fees & Interest= \$400-\$700 million/yr
 - TX Payday Loans range: 400-1153% APR
- **Quarter for every Dollar:**
\$20-\$25 per \$100 borrowed
- **No Meaningful Underwriting**
 - Loans up to \$1,500
 - Violation of Ability to Repay Standard

A Popular Place to Be



- Texas CSOs have more than doubled since Jan. 2007
- 2008 Pace: 3 New CSOs per week
- **Since 2005, Payday CSO locations have surged:**
 - EZ Money up 163%
 - Cash Store up 113%
 - Check Into Cash has added 95 stores in 16 mo.

Who are the CSOs?



- Tax Services are recent addition to CSO mix
- I-Pay Childcare CSO lends to families for Pre-K
- Many more small, independent payday loan outfits

Recent Legislative Attempts

79th Leg. Session (2005)

- HB 846 (Flynn) to create high-cost regulated market—defeated in House on Pt. of order

80th Leg. Session (2007)

- HB 2134 (Chisum) to create high-cost regulated market, with extended payment Plan—never received hearing
- SB 753 (Shapleigh) to create reporting requirement—passed Senate, died in House

81st Leg. Session (2009)?

- Reporting requirement?
- Municipal preemption?
- State regulation?
- Status Quo?

Municipal Action

- Home Rule/Policing Powers
- Local Ordinances
 - Mesquite
 - Richardson
 - San Antonio
- Limits of Local Regulation

Obstacles to Reform

- No Complaint Infrastructure
- Lack of Grassroots Action
- Military Lending Act
- CSO Statute
- Divided Industry
- Anti-Regulatory Ethic
- No Middle Ground?

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