

# WHAT IS A PAYDAY OR AUTO TITLE LOAN?

## Payday loan

- small cash advance
- two weeks loan term
- interest and fees
- unsecured, but require postdated check or electronic access to a debit account as collateral

## Auto title loan

- car title is used as collateral
- typical term of one month
- interest and fees
- if a borrower defaults, loan company can take the car



# WILD, WILD WEST OF LENDING

- Under current state law:
  - No limits on fees
  - No limit on the size of the loan
  - No limits on rollovers or refinances
  - No limits on ability to repay based on income
- Lack of regulation
  - Allowed tremendous growth



# PAYDAY AND AUTO TITLE LENDING IN KILEEN, TEMPLE, FT. HOOD TX

- 51 licensed store locations in Killeen, Temple, Fort Hood

## 2014 Data for MSA:

- **Payday Loan: 252% APR**  
**Auto Title Loan: 351% APR**
- **Installment loans cost \$1.22 in fees per \$1 borrowed**
- **67% of loans are refinances.**  
For single payment loans due in 2 weeks or 1 month
- **For borrowers who refinance, a \$500 loan can cost over \$3000.**
- **1 in 5 auto title borrowers lose a car to repossession.**  
This rate is higher than the state rate. 19 cars per week are repossessed.

MAP OF LICENSED STORE  
LOCATIONS



# ECONOMIC AND CHARITY IMPACTS

- **Statewide Over 30% of charitable assistance clients** are in trouble with a payday or auto title loan.
- **2012-2014, \$50,627,607 million in fees drained** from the MSA
- **Economic Loss: \$12,150,626**  
Based on an economic impact analysis of payday lending by the Insight Center of Economic Development using the IMPLAN economic modeling tool.



## KILLEEN LOCAL SNAPSHOT 2012

17% of respondents reported use of pay day or auto title loans

80% of Killeen borrowers did not receive required disclosure information

57% of Killeen borrowers took more than 1 month to repay loan



# 28 CITIES ACT DESPITE STATE INACTION

- Amarillo
- Angleton
- Arlington
- Austin
- Balcones Heights
- Baytown
- Bellaire
- Bryan
- Brownsville
- College Station
- Corpus Christi
- Dallas
- Denton
- Dickinson
- El Paso
- Flower Mound
- Galveston
- Garland
- Houston
- Midland
- San Antonio
- Sequin
- Somerset
- South Houston
- Universal City
- West University Place
- Willis



Coming Soon  
Temple & Waco



# CITY ORDINANCES

- **Limit loan size** according to borrowers' ability to pay
  - Payday loans—limited to 20% of the borrower's gross monthly income.
  - Auto title loans—limited to the lesser of 3% of the borrower's gross annual income or 70% of the vehicle value
- **Limit # of installments to 4 and rollovers/renewals to 3**
- **Proceeds from each installment or renewal must reduce loan principal by 25%**
- **Defines rollover or renewal** as any extension of consumer credit made w/n 7 days of the previous extension of credit.
- **Register with the city**

**TEXAS  
MUNICIPAL  
LEAGUE'S  
UNIFIED  
ORDINANCE**

