

FAITH FOR FAIR LENDING

PAYDAY LENDERS ARE PREYING ON TEXANS

Payday loans are among the most predatory forms of credit on the market. Though they are marketed as having “reasonable” fees or charges, typical interest rates exceed 300 percent. And because the payday lenders’ bottom line actually depends on borrowers’ inability to repay — most payday fees come from borrowers who take out more than 10 loans a year — they target people with low incomes and no other options.¹

Most payday borrowers make less than \$30,000 a year and nearly half default on a payday loan — compared to only 3 percent of standard bank loan borrowers — despite the fact that most of those who default actually pay fees in excess of the original principal.² Payday loans trap people in cycles of debt that drain local economies and result in a cascade of financial consequences, such as increased overdraft fees, delayed medical care, and even bankruptcy.

“There are those in the payday loan industry who see their neighbor’s desperation as an opportunity to make a quick buck. Universally in the Scriptures this practice is condemned. It is wrong to take another person’s desperation and make it your opportunity to reach an agreement to guarantee that all they have left will soon be yours. There are many legitimate ways to make money, but the one thing God speaks on without hesitation or reservation is that it is immoral to make money by making other people poor.” – Pastor Keith Stewart, Springcreek Church, Garland

“Payday lenders not only hurt distressed households; they harm local economies. This is because extremely high loan costs hinder economic activity.”
Brian Rusche, Executive Director of Joint Religious Legislative Coalition.⁹

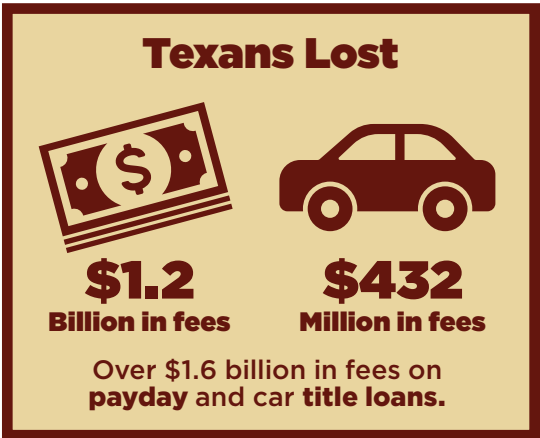
The negative effects of payday lending are evident in Texas:

- The average payday loan in Texas is \$468.³
- Payday borrowers in Texas pay an average annual percentage rate (APR) of 662 percent.⁴
- In Texas, over half of payday loan customers take out at least five additional loans – typically to repay the previous loan.⁵

Payday Loans and Other Debt Trap Loans Take a Toll on Texas’s Economy.

Siphoning money out of poor communities and communities of color takes a serious toll on the economy. The negative consequences are measurable. Money that could be spent building up local businesses or investing in communities is instead directed to never-ending fees. Car title loans in Texas also contribute to economic hardship.

- Payday lending in Texas results in jobs lost and millions of dollars drained from the economy, according to a 2013 report.⁶
- Payday lenders in Texas collected \$1.2 billion in fees and interest charges in 2015 alone.⁷
- Car title fees cost Texans more than \$432 million in fees in 2015 alone.⁸



The Who and Where of Payday in Texas

- Payday lenders cluster in Texas neighborhoods with households that earn less than \$50,000 a year.¹⁰
- Payday storefronts in Texas outnumber McDonald's stores by more than a 2-to-1 margin.¹¹
- In Texas, 22 cities have taken steps to regulate payday lending storefronts¹²
- There are over 1.6 million veterans in Texas who no longer receive protection from the Military Lending Act, which caps interest rates at 36 percent for active military.¹³

"When I had payday loans, I felt hopeless. I felt like I was failing to uphold my responsibilities. I was trying to do what was best for my family, only to be taken deeper and deeper into a financial mess created by products that were advertised to help."

Gordon Martinez, Dallas

The True Beneficiaries of Payday Loans.

When the deck is so clearly stacked against Texans and favors the payday lending industry, it becomes necessary to take a deeper look at who benefits from these noxious practices.

- The payday industry makes its profits off the backs of hardworking Texans.
- Payday lenders contribute generously to the campaigns of state politicians in an effort to continue to enjoy the fruits of Texans' labor.
- The payday and title loan industry contributed at least \$6,454,995 to candidates and committees for state office in Texas between 2010 and 2014.¹⁴

Over \$6 Million



The Payday and Title loan industry contributed at least \$6,454,995 to candidates for state office in Texas between 2010-2014.

Check the Facts

"The theory in the business is you've got to get that customer in, (and) work to turn him into a repetitive customer . . . that's really where the profitability is."

Dan Feehan,
Cash America
CEO¹⁵

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- 3 Baylor, D. *The State of Payday and Auto Title Lending in Texas*. Sept. 15, 2013.
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- 5 Schurman, Mitchell. *Schurman: Even in Texas, payday loan reforms are coming*. April 6, 2015.
- 6 Lohrentz, T. *The Net Economic Impact of Payday Lending in the U.S.* March 2013.
- 7 Standaert, D. *Payday and Car Title Lenders Drain \$8 Billion in Fees Every Year*. May 2016.
- 8 Ibid.
- 9 Schurman, Mitchell. *Schurman: Even in Texas, payday loan reforms are coming*. April 6, 2015.
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- 13 U.S. Department of Veterans Affairs. *National Center for Veterans Analysis and Statistics*. May 2016.
- 14 National Institute on Money in State Politics. *Follow the Money*. May 2016.
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