



THE IMPACT OF PREDATORY LENDING ON LIVES AND ECONOMY IN TYLER, TEXAS

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EXECUTIVE SUMMARY

The East Texas Human Needs Network and the Tyler Economic Wellbeing Taskforce found concerning evidence of some of the harmful impacts of payday and auto title lending on the financial stability of residents of the Tyler community.

Payday and auto title loans are sold as short-term emergency loans, but often trap borrowers in a long-term debt cycle. They carry annual percentage rates (APRs) that **average 395% to 635% in the Tyler community and drained \$31,588,596 in excessive fees from the pockets of our most financially vulnerable residents in 2019**. These rates and fees mean that, on average, borrowers pay \$1,100 or more to repay a \$500 loan. To better understand the community impacts, the Taskforce surveyed borrowers and businesses.

In the first quarter of 2021, members of the Tyler Economic Wellbeing Taskforce surveyed 112 borrowers and visited 25 payday and auto title loan businesses in Tyler, Texas. The surveys were administered to individuals receiving services at local non-profit organizations, while the establishments were identified by a report from the Texas Office of Consumer Credit Commissioner.

A voluntary and anonymous survey of 112 borrowers in the Tyler community, which included many veterans (20% of the sample), highlighted the hardship caused by these loans:

- **Payday loans dominate the local market, but auto title borrowing is not far behind.** Among those surveyed, 39% had a payday loan, 21% had an auto title loan, and 11% had both payday and auto title loans.
- **Most borrowers are seniors or disabled**, 53% of those responding to the survey.
- **Most borrowers used the loans to meet basic needs:** 40% for Utilities, 36% for groceries and gas, and 24% for rent.
- **64% had trouble paying the loan in full when it was due.**
- **83% of borrowers took three months or more to repay the loans**, with 38% stuck in an ongoing high-cost cycle of debt for six months or more.
- **One in five borrowers owed \$1,000 or more to payday and auto title lenders.**
- **Borrowers were harassed when they struggled to repay the loans.** 31% were threatened with criminal charges, 31% were threatened with car repossession, 15% had their car repossessed, and 85% received harassing phone calls for debt collection.

Studies of the 25 payday and auto title store locations in Tyler documented several practices that appeared to violate the few protections that exist in Texas law:

- **Nearly half of the locations (48%)** did not provide the state-mandated loan cost disclosure.
- **One in three** did not provide the state mandated warning notice about the loans.
- **Only one of the 25 stores surveyed** had any mention posted of the requirement to comply with the Military Lending Act, a federal law that limits all loans to the military to a military annual percentage rate of 36%, far below what payday and auto title loan stores charge.

Cities have an important role to play to support the economic success and vitality of our families and community. Six important local strategies can turn the tide on the harmful economic impacts of high-cost lending in our community:

- **Strategy 1:** Support, Use or Start Employer-Based Affordable Loan Programs.
- **Strategy 2:** Provide Financial or Operational Support of Other Low-Cost Lending Programs.
- **Strategy 3:** Use a Council of Governments (COG) to Support or Provide Alternatives to Payday Lending.
- **Strategy 4:** Evaluate Municipal Fees, Fines Assessment, and Collection Policies that May Drive People to High-Cost Loans.
- **Strategy 5:** Improve Systems to Connect People to Community Asset Building and Financial Empowerment Resources; and
- **Strategy 6:** Protect Citizens through Adopting the Unified Credit Access Business Ordinance, already adopted by 46 Texas cities.

INTRODUCTION

Texas has a history of protecting its citizens from unscrupulous lenders marketing products with exorbitant fee and interest rates. While usury protections are built into the Texas Constitution and have been credited with helping save Texans from the worst economic crisis, **unfortunately, because of a loophole, payday and auto title lenders can evade the state’s usury protections** by operating as “loan arrangers” under the Credit Services Organizations Act (CSO Act). **Texas state laws have no limit on loan size or total charges for payday and auto title loans.**

High-cost payday and auto title loans damage the bottom line of working families and seniors by exacerbating desperate financial circumstances. In our study, charges ranged from a low of 192% APR for an auto title installment loan to 886% APR for an auto title single payment loan. The result is that a \$500 loan often costs borrowers \$1,100 or more to repay. Costs can reach over \$3,000 to repay \$500 with on-going refinances.

Results of the Tyler Economic Wellbeing Taskforce Study (the Study) reveal clear negative community impacts of payday and auto title lending:

- Negative effects of predatory loans generate additional losses through the economy due to multiplier effects such as reduced consumer spending. A substantial portion of the amounts paid to predatory lenders leaves the area, while the normal spending by the affected households is displaced. Based on the results of the recent survey from the East Texas Human Needs Network (the Study), The Perryman Group estimates that the payday and auto title loans lead to a decrease in business activity in the Tyler area of \$24.2 million in annual total spending, nearly \$12.0 million in annual gross product, \$7.3 million in annual personal income, and 151 jobs (including multiplier effects)¹.
- Charitable donations and tax payer money meant to bolster families instead goes to the pockets of payday and auto title loan businesses—Tyler Economic Wellbeing Taskforce studies found that 19% of Tyler nonprofit clients asking for assistance were in trouble with a payday or auto title loan; and 53% of nonprofit clients in trouble with a payday or auto title loans receive public benefit, such as Food Stamps (SNAP) and Social Security Disability (SSDI).

¹ The Perryman Group, “The Economic Consequences of Predatory Lending”, January 2022.

TYPES OF LOANS

WHAT IS A PAYDAY LOAN?

A payday loan is a loan made for a short time—with an initial loan term generally between 2 weeks and six months. To get a payday loan, you give the lender a personal check or debit authorization for the amount you want to borrow, plus whatever fee the lender charges you. The lender gives you cash. On your next payday, you must pay the lender the full amount you borrowed plus the fee, in cash, to get out of the loan. If you cannot pay in full, paying the fee buys you two more weeks on the loan. If the loan is a single payment loan—due in full in two weeks—paying just the fee is called a “rollover,” or “rolling over” the loan. Fees average over 20% of the original loan amount per two weeks. Just one rollover means that the borrower pays that fee two times. For a \$500 loan, it often costs \$200 to borrow \$500 for just one month. That means a payment of \$700 to get out of the loan (principal plus fees). For loans with longer terms, fees add up in the same way, paying 20% or more every two weeks, often with none of the payment going to pay the principal. At the end of six months, a borrower with a \$500 loan could pay \$1,200 in fees and still owe the full original loan amount. Because of this onerous payment structure, it becomes harder to get back to where you started. Here is an example:

John's truck broke down and he needed money quickly to fix it, he couldn't get a loan and his credit card was maxed out, so John went to a payday lender. To get his \$500 in cash, he had to give the lender a check for \$600 -- \$500 to repay the loan and \$100 for a fee. John didn't have the money in his account right then, but it didn't matter. The lender would hold the check for two weeks until the loan was due. After two weeks, John didn't have enough money to pay back the loan, so he paid the lender \$100 more to roll over his loan. That means he got two more weeks to repay the loan, and two weeks later the same thing happened. John paid another \$100 that bought another two weeks to pay back the loan. John took 12 weeks, that's three months, to save enough money to repay the original \$500 loan. John paid \$1,100 to borrow \$500 for just three months.

WHAT IS AN AUTO TITLE LOAN?

An auto title loan, also called a car title loan, is similar to a payday loan. The loan has an original loan term of 30 days to six months. To get a car title loan, you give the lender the title to your vehicle. The lender gives you cash and keeps the title. Every payment or rollover carries a high fee, often with no principal repayment. When it is time to repay the loan, you must pay the lender the amount you borrowed plus another high fee. Car title loans can be very expensive. If you cannot pay the lender the money you owe, you will lose your car. This is called repossession. The auto title business may sell your car and keep the money, even when you have paid more than the original loan amount in fees. Here is an example:

Albert needed some extra money to pay his bills this month. He saw an ad on TV that said you can get a loan if you own a car, so he went to a local shop that advertised car title loans. Albert filled out an application then he showed the lender his car and the title to his car, the lender gave Albert \$1000 but he kept the title to Albert's car, in 30 days Albert had to repay the \$1000 he borrowed plus a fee of \$250 to get his car title back but a month later Albert didn't have the money he owed so the lender gave Albert more time to repay the loan but Albert would have to pay another fee of \$250 another month passed Albert now owed \$1500 but he still couldn't repay the loan this time the lender didn't give Albert more time to pay back the loan instead the lender sold Albert's car and kept the money Albert lost his car and his transportation he knew it would take a long time to save enough money to buy another car and he also knew he would never get a car title loan again.

PAYDAY AND AUTO TITLE LENDING IN TEXAS AND TYLER, TX

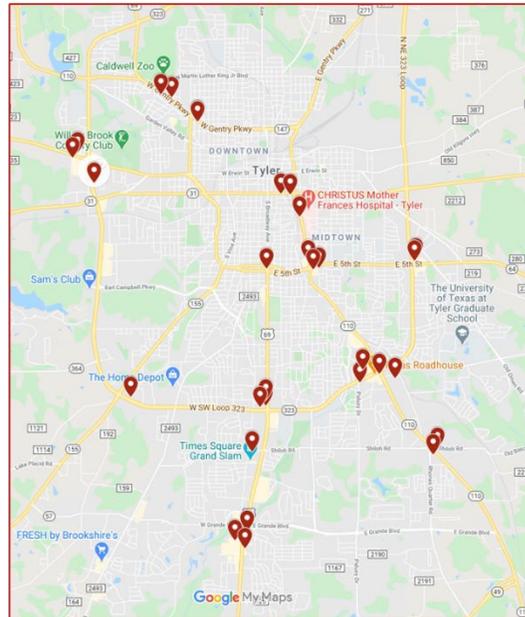
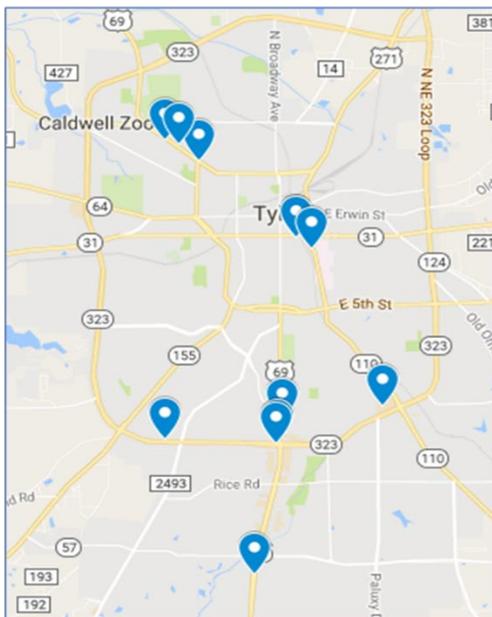
The Problem:

According to the public interest justice center [Texas Appleseed](#), in 2019, payday and auto title lenders charged Texans more than [\\$2 billion in fees](#). At that time, 30 Tyler locations made up 1.6% of Texas locations, applying that formula it is estimated that Tylerites were charged \$31,588,596 in fees in 2019.



	Texas	Tyler
• Locations:	1,927	30
• New Loans:	\$1,683,044,368	\$26,202,040
• Fee Charges:	\$2,029,040,818	\$31,588,596
• Refinances:	\$1,455,121,930	\$22,653,689
• Auto Title Repossessions:	42,878	668
• Repossessed/<u>weekly</u>	825	13

The number of payday and auto title lenders in Tyler grew from 12 in 2012 to 30 in 2019 according to the Office of Consumer Credit Commissioner CAB licensing data.



Source: Texas Appleseed analysis of Texas Office of Consumer Credit Commissioner 2018 and 2019 Credit Access Business Quarterly and Annual Data Reports. Store location data is based on the Office of Consumer Credit Commissioner CAB licensing data for December 2019 and includes only active licensed locations in Texas.

TYLER PAYDAY AND AUTO TITLE LOAN BORROWERS

In October 2020, the East Texas Human Needs Network brought together a group of interested citizens and together they developed the Tyler Economic Wellbeing Taskforce.

The first thing to do was to determine the impact of payday and auto title lenders in Tyler. In the first quarter of 2021, we interviewed 112 Tyler residents, served by local nonprofits, and visited 25 payday and auto title stores. 20% of the interview respondents were veterans.

TYPES OF LOANS

Have you or any member of your household ever gotten a payday or auto title loan at places like Ace Cash Express, Cash America, Lone Star Title, pawn shops or others?

- 39% payday loans
- 21% auto title loans
- 11% had both payday and auto title loans

WHY BORROWERS TURNED TO PAYDAY AND AUTO TITLE LOANS

Why did you use a payday or auto title loan?

- 40% Utilities
- 36% Groceries and gas
- 24% Rent

HOW OFTEN THEY BORROWED

How often have you used payday or auto title loans in the last two years?

- 36% Once per year or less
- 13% 2 or 3 times a year
- 11% Every few months
- 4% Once or more a month
- 36% borrowed over two years ago.

AMOUNT OF DEBT

How much money do you owe payday or auto title lenders?

- 72% had no debt
- 0% owed \$300 or less
- 5% owed between \$300 and \$500
- 2% owed between \$500 and \$1,000
- 19% owed between \$1,000 and \$2,000
- 2% owed more than \$2,000

HOW LONG IN DEBT

How long does it usually take you to pay off a payday or auto title loan?

- 7% less than a month
- 10% one to two months
- 45% three to six months
- 38% over six months

TROUBLE PAYING BACK IN FULL

Do you have trouble paying back the full payday or auto title loan amount when it comes due?

- Yes, often 39%
- Yes, sometimes 25%
- No 36%

64% had trouble paying the loan in full when it was due

Most borrowers are seniors and disabled.

- 47% of those with payday and auto title loans receive their income from employment, making the other 53% of borrowers' seniors on social security (14%), individuals with disabilities receiving social security disability income (17%), veterans receiving Veterans Administration benefits (11%), and some receiving unemployment benefits (8%).
- 78% responded that having payday or auto title loans makes it hard to cover other bills.
- Of all these borrowers, some receive non-cash benefits, 33% SNAP (food stamps), 25% Medicaid (Medical care coverage for the most impoverished and disabled), and 19% receive assistance from nonprofits and congregations.
- 85% report interest in building emergency savings.

Did you receive an information sheet separate from the loan contract, about the total cost and interest rate of the loan, how it compares to other kinds of loans, and the office to contact for complaints?

- 17% Yes, and it was helpful
- 31% Yes, but it was not helpful
- 21% No
- 31% Don't remember

Related to the loan, have the following happened to you?

- 31% were threatened with criminal charges
- 31% were threatened with car repossession
- 15% had car repossessed
- 85% received harassing phone calls for debt collection

CRIMINALIZING DEBT

Defaulting on a loan is not a criminal act, yet Texas borrowers are facing threats of criminal prosecution, arrest warrants, excessive fines and worst of all jail time directly violating the Texas Constitution Bill of Rights which states, "No person shall ever be imprisoned for debt." Tex. Const. Art. 1 Sec. 18

Texas Finance Code, Section 393.201(c): "...a person may not threaten or pursue criminal charges against a consumer related to a check or other debit authorization provided by the consumer as security for a transaction in the absence of forgery, fraud, theft, or other criminal conduct."

Texas Finance Code, Section 392.301: "THREATS OR COERCION. (a) In debt collection, a debt collector may not use threats, coercion, or attempts to coerce that employ any of the following practices:(2) accusing falsely or threatening to accuse falsely a person of fraud or any other crime."

TYLER CREDIT ACCESS BUSINESSES

Oversight of Credit Access Businesses

The Texas Office of Consumer Credit Commissioner maintains regulatory oversight of Credit Access Businesses (CAB). CABs obtain credit for a consumer from an independent third-party lender in a deferred presentment transaction or a motor vehicle title loan, more commonly called “payday loans” or “title loans.”

In Texas, the actual third-party lender is not licensed, rather the credit access business that serves as the broker is the licensee in this regulated industry. The credit access business charges a fee to the consumer for obtaining the third-party loan; this fee is usually calculated as a percentage of the loan amount.²

The borrower will sign a promissory note with the lender for the actual loan and a separate credit service agreement with the credit access business. Generally, all documents are signed at the credit access business location and payments are made directly to the credit access business.

Banks rarely lend to people caught in predatory lending, but they still make money from these loans.

Wells Fargo shares in a \$400 million line of credit to FirstCash, along with Bank of Texas, Texas Capital Bank, Amegy Bank, Prosperity Bank, First Tennessee Bank, Independent Bank, Southside Bank and BBVA, according to SEC filings in 2016 and 2020.

Money magazine asked these banks why they finance a high-cost lender. Bank of Texas, Texas Capital, First Tennessee and BBVA had no comment. Prosperity, Independent and Southside didn’t respond to questions.³

A SNAPSHOT: PAYDAY & AUTO TITLE LOAN STORES IN TYLER

At the time of this study, Tyler had 28 locations with a credit access business license required to offer payday or auto title loans under the Texas Credit Services Organizations Act. The survey sample includes 25 storefront locations operated by 15 payday and auto title loan businesses. Each of the surveyed locations appears on the list

² Because of a new loophole **opened** in November of 2019, through the Texas Attorney General Opinion process, some credit access businesses that offer payday-like loans that do not meet the technical definition of a payday loan can operate outside of licensing.

³ “Diabolical and wrong’: Wells Fargo, other banks finance predatory lenders that can charge over 400% interest in minority communities”; Shechter, D.; Trahan, J.; Horner, C. (May 23, 2021). <https://www.wfaa.com/article/money/diabolical-and-wrong-wells-fargo-other-banks-finance-predatory-lenders-that-can-charge-over-400-interest-in-minority-communities/287-f84efb8d-0936-443e-97ad-493776cc153f>

of licensed (CABs). Together, the surveyed businesses operate 89% of all payday and auto title locations in Tyler. Locations not surveyed were WB Loans LLC and Williams Loan and Tax Services.

Among surveyed businesses, the annual percentage rate (APR) charged for payday and auto title loan products ranged from a low of 192% APR for an auto title installment loan to 886% APR for an auto title single payment loan.

Loan Charges at Surveyed Locations

Business Name	Surveyed locations	APR Payday Single Payment	APR Payday Installment	APR Auto Title Single Payment	APR Auto Title Installment
Ace Cash Express	5	524%	524%	375%	192%
Advance America	1	664%	664%	204%	204%
Cash Max	1	713%		409%	
Check n' Go	1	662%	314%		
East Texas Title & Loan	1	635%		375%	
Freddy's Cash Pawn	2	722%	322%	694%	321%
Loan Star Title Loans	2			352%	358%
Texas Car Title and Payday Loan Services	1	402%	363%		
Texas Star	1	704%		378%	
Texas Thrifty Loans	1	714%	634%	886%	700%
The Cash Store	6	580%	346%	327%	293%
Title Max	2	714%	634%	886%	699%
Zip Cash	1	584%	305%	314%	
Average	25	635%	456%	473%	395%

Compliance with the State Posting & Disclosure Standards (CSO Act)

The following table documents important requirements for posting and disclosure at store locations per the Texas Credit Services Organization Act, Chapter 393 of the Texas FinanceCode and compliance rates..

Standard	Compliance	Citation	Description
Post Fees	91%	Tex. Fin. Code §393.222 (a)(1);7 Tex. Admin. Code §83.007	Post a schedule of all fees for payday and auto title loan services in a conspicuous location. Posting must include fees, annual percentage rate of the loan, and standard loan term.
Post OCCC Contact	75%	Tex. Fin. Code §. 393.222 (a)(2)	Post a notice of the name and address of the Office of Consumer Credit Commissioner and the telephone number of the consumer helpline.
Post Warning Notice	68%	Tex. Fin. Code §393.222 (a)(3)	Post a notice that reads: “An advance of money obtained through a payday loan or auto title loan is not intended to meet long-term financial needs. A payday or auto title loan should only be used to meet immediate short-term cash needs. Refinancing the loan rather than paying the debt in full when due will require the payment of additional charges.”
Provide Disclosure Form	52%	Tex. Fin. Code §393.223	Provide disclosure form adopted by the Finance Commission of Texas that discloses interest rates, fees, annual percentage rates, amount of accumulated fees incurred through renewals, information comparing the loans to other credit sources, typical customer repayment information and a warning about repossession for auto title loans.
Show CSO Registration	72%	Tex. Fin. Code §393.103	A credit services organization must show the CSO registration statement to a consumer if requested.
Comply with Federal Standards for Loans to Military	None of the local stores offer military loans	Tex. Fin. Code §393.625	Loans to the military and military dependents must follow requirements under federal law.

The survey found many deficiencies in compliance with the basic standards outlined above. Of the 25 surveyed locations, 91% posted fees in a manner prescribed by state law; only 75% posted the Office of Consumer Credit Commissioner contact information; 68% posted the required “warning notice”; only 52% provided disclosure forms, and 72% provided the CSO registration statement.

Local lenders do not comply with Tex. Fin. Code §393.625 designed to protect the military

From a review of loan application documents collected by survey volunteers for some payday and auto title locations, it was also possible to partially assess compliance with a state mandate that payday and auto title businesses in Texas comply with federal lending requirements to the military and their dependents. Besides capping rates for payday and auto title loans to the military and their families at 36% APR, federal law requires payday and auto title businesses to determine if a potential borrower is a member of the military or a military dependent.

Ace Cash Express was the only chain of businesses that posted that Military Loans were not available. None of the stores asked if the customer was a member of the military. Since 20% of respondents were veterans and military loans are not available in Tyler, it stands to reason the lenders did not comply with federal standards for loans to military.

How Payday and Auto Title Loans Compare to Other Loans – Six-Month \$500 Loan⁴

Estimated Annual Percentage Rate	Loan Type	Loan Amount	Finance Charges	Total to Repay
18%	Bank/Credit Union	\$500	\$27	\$527
600%	Payday/Auto Title	\$500	\$1,140	\$1,640

⁴ “Why Texas Needs Payday and Auto Title Lending Reform NOW”, Texas Fair Lending Alliance. [Download https://www.texasappleseed.org/sites/default/files/Why%20Texas%20Needs%20Payday%20and%20Auto%20Title%20Lending%20Reform.pdf](https://www.texasappleseed.org/sites/default/files/Why%20Texas%20Needs%20Payday%20and%20Auto%20Title%20Lending%20Reform.pdf)

WHY SHOULD OUR COMMUNITY CARE?

WHY SHOULD THE FAITH COMMUNITY CARE?

Tyler's faith community is one of our greatest strengths. **Faith for Just Lending- a call to end predatory lending**, a coalition of faith-based institutions working to end predatory payday lending, urges churches, lenders, individuals, and government to each do their part to teach stewardship, offer responsible products, use credit wisely, encourage just lending and put an end to predatory loans. Faith for Just Lending calls for an end to the exploitation of households and families through the payday debt trap. <http://lendjustly.com/>.

Scripture condemns usury and teaches us to respect the God-given dignity of each person and to love our neighbors rather than exploiting their financial vulnerability. Thus, just lending is a matter of Biblical morality and religious concern. Fairness and dignity are values that should be respected in all human relationships including business and financial relationships.⁵

WHY SHOULD EMPLOYERS CARE?

According to SHRM, Employees' financial issues affect their job performance. When employees are stressed financially, their health and productivity can both suffer. Fortunately, organizations can ease some of that stress by helping employees manage their personal finances and prepare for retirement. According to a report from the International Foundation of Employee Benefit Plans (IFEBP)⁶, Employers revealed that their workers are struggling and stressed over:

- Debt (66% of respondents)
- Saving for retirement (60%)
- Saving or paying for children's education (51%)
- Covering basic living expenses (48%)
- Paying for medical expenses (36%)

HOW JOBS ARE AFFECTED

According to the IFEBP survey, this is resulting in:

⁵ "The Need for Principles for Just Lending", Faith for Just Lending – a call to end predatory payday lending., <http://lendjustly.com/just-lending-principles>

⁶ <https://www.ifebp.org/aboutus/pressroom/releases/Pages/Employees%E2%80%99-Financial-Issues-Impact-Job-Performance,-Employers-Report.aspx>

- An increase in stress among employees (reported by 76% of employers).
- Workers' inability to focus at work (60%)
- Absenteeism and tardiness (34%)

WHY SHOULD OUR CITY CARE?

The community can suffer as lending drains away resources normally spent in the local economy and causes an added strain on social services from families caught in a cycle of debt.

Negative effects of predatory loans generate additional losses through the economy due to multiplier effects such as reduced consumer spending. A substantial portion of the amounts paid to predatory lenders leaves the area, while the normal spending by the affected households is displaced. Based on the results of the recent survey from the East Texas Human Needs Network, **The Perryman Group estimates that the payday and auto title loans lead to a decrease in business activity in the Tyler area of \$24.2 million in annual total spending, nearly \$12.0 million in annual gross product, \$7.3 million in annual personal income, and 151 jobs (including multiplier effects).⁷**

⁷ The Perryman Group, "The Economic Consequences of Predatory Lending" , January 2022.

CONCLUSION AND RECOMMENDATIONS

Increasing Access to Fair, Low-Cost Loans

Cities are at the forefront of efforts to combat the harmful economic impact of high-cost payday and auto title loans on low- and moderate-income families. Implementing the six strategies referenced below is not only a win-win for lenders and borrowers; it holds the promise of bolstering local economies and making the City of Tyler more affordable and inclusive, regardless of income level.

Strategy 1:

Support, Use or Start an Employer-Based Affordable Loan Program. For-profit programs and nonprofit partnerships are available.

Strategy 2

Financial or Operational Support of Other Low-Cost Lending Programs. Direct investment and operational support programs.

Strategy 3

Using a Council of Governments (COG) to Support or Provide Alternatives to Payday Lending. Small dollar options via Community Loan Centers.

Strategy 4

Evaluate Municipal Fees, Fines Assessment, and Collection Policies that May Drive People to High-Cost Loans. Municipal bill assistance programs; municipal fine and fee policies.

Strategy 5

Improve Systems to Connect People to Community Asset Building and Financial Empowerment Resources. Community asset building and financial empowerment programs.

Strategy 6

Protect Citizens through a Unified Ordinance. Adopt a Credit Access Businesses Regulation to protect the citizens of the City of Tyler by monitoring credit access businesses to reduce abusive and predatory lending practices. The article would establish a registration program for credit access businesses, impose restrictions on extensions of consumer credit made by credit access businesses, and impose recordkeeping requirements on credit access businesses.

The ordinance sets basic affordability standards for payday and auto title loans. Without statewide regulation, local municipalities are passing the unified ordinance to help borrowers avoid a never-ending cycle of debt.

46 Texas Cities have adopted a Unified Ordinance⁸. Cities with Ordinance:

- Amarillo
- Bellaire
- Bedford
- Angleton
- Arlington
- Austin
- Balcones Heights
- Baytown
- Brownsville
- Bryan
- Canyon
- Cedar Hill
- College Station
- Corpus Christi
- Dallas
- Denton
- DeSoto
- Dickinson
- El Paso
- Euless
- Flower Mound
- Fort Worth
- Galveston
- Garland
- Grand Praire
- Harker Heights
- Houston
- Hurst
- Killen
- Seguin
- San Antonio
- Longview
- Mesquite
- Midland
- Pharr
- San Angelo
- Socorro
- Somerset
- West University
- Weatherford
- South Houston
- Sulphur Springs
- Temple
- Universal City
- Waco
- Willis

Main Components of the Ordinance

- Payday and auto title stores operating as credit access businesses (the state licensing designation for these businesses) must register with the city.
- Payday Loans including all charges are limited to 20% of the borrower’s gross monthly income. Auto title loans including all charges are limited to the lesser of 3% of the borrower’s gross annual income or 70% of the vehicle value.
- Loans cannot have over 4 installments or 3 rollovers or renewals.
- The proceeds from each installment or renewal must reduce the loan principal by 25%.
- A rollover or renewal is defined as an extension of consumer credit made within seven days of the previous extension of credit.

Along with local advocates, Texas Appleseed advises jurisdictions on the benefits of the unified ordinance and the process for enacting it. A [2019 analysis](#) showed that the ordinance has beneficial local impacts, including reducing all: refinances, new loans, vehicle repossessions, and fees. Texas Appleseed has also published a [toolkit](#) to support city efforts to expand affordable loans and is the basis for the five strategies above.

As of July 28, 2021, the only mention of payday loan outlets in the City of Tyler Unified Development Code is under Section 10.52 Commercial Use Categories, Subsection b. Banks and Financial Services and reads: Banks and Financial Services. Includes financial or securities brokerage services, including but not limited to stand-alone

⁸ Texas Appleseed, “Support Statewide Payday and Auto Title Reform”, <https://www.texasappleseed.org/sites/default/files/City%20Ordinances%20to%20Address%20Payday%20and%20Auto%20Title%20Loan%20Cycle%20of%20Debt%20and%20Affordability%20Challenges%202021.pdf>

automatic teller machines, banks, savings and loan offices, and consumer investment businesses. Also includes pawn shops and payday loan outlets. Auto title loan businesses are not mentioned in the City of Tyler Unified Development Code.

EVERY CITIZEN CAN HELP SUPPORT JUST LENDING PRACTICES

- Contact state legislators and ask them to support meaningful payday and auto title reform that solidifies the municipal ordinances in state law while including the fees, interest, and principal in the borrowing limitations.
- Engage city council members and ask them to pass a local ordinance regulating payday and auto title lenders.
- Educate your pastors and fellow church members about the dangers of payday and auto title lenders.

ACKNOWLEDGEMENTS

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