

## RAISE Texas Small Dollar Lending Initiative:



**Fighting** Predatory Payday and Auto Title Lending

**Assuring** Access to Better Loan Products

## Why is Small Dollar Lending a RAISE Texas Priority?

### Borrower Story

**Maria-Austin, Texas**



- \$500 payday loan with \$100 renewal fee every two-weeks
- Four months later, had paid \$800 to extend the loan payment period and still owed over \$500.
- Nonprofit refinanced the loan to end cycle of debt.

## The Two Faces of Payday and Auto Title Lenders

### What the industry says publicly:

*"Speaking from experience, most customers facing financial emergencies use short-term loans wisely. It's a viable solution offered by reputable lenders, like Cash America."*

-Dennis Weese, president and chief operating officer of the retail services division of Cash America International.

### What they say to each other:

*"[T]he theory of the business is you've got to get that customer in, work to turn him into a repetitive customer, long-term customer, because that's where the real profitability is."*

-Dan Feehan, CEO Cash America, June 2007.

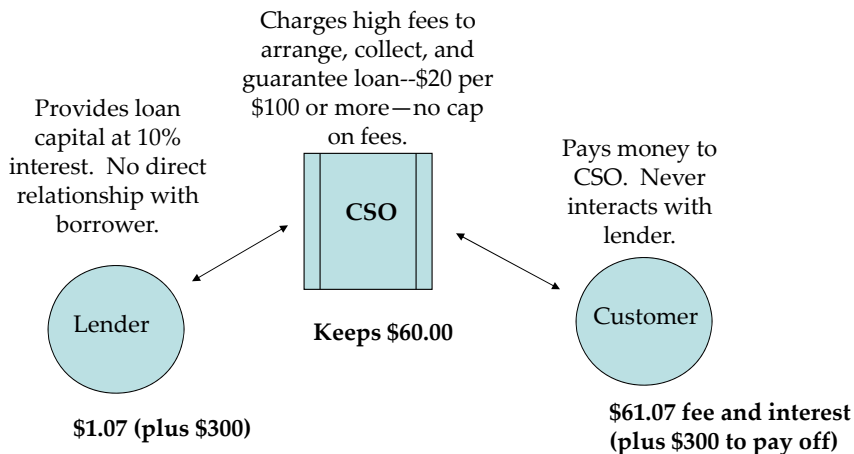


## Payday and Auto Title Loans Hurt Our Communities

- Borrowers often pay **500% to 700%** APR for these loans.
- No partial payments are allowed on these loans. The loan must be paid in full or renewed by paying **high fees** on the loan due date.
- The loans are designed to create a **cycle of debt**.
- On average, borrowers take **5 or more loan periods to repay the loan**, paying double or more of the original loan amount.
- Over **\$3 billion in loans** are made every year in Texas, draining assets from hardworking families.



## The Texas Two-Step: Avoid Lending Laws – Become a CSO



## Achievements

### 1. Data Collection

- Local Ordinance Guide
- Survey of Financial Institutions
- Survey of Payday Borrowers
- 2008 Summit: Payday Lending—Realities and Challenges

### 2. Policy

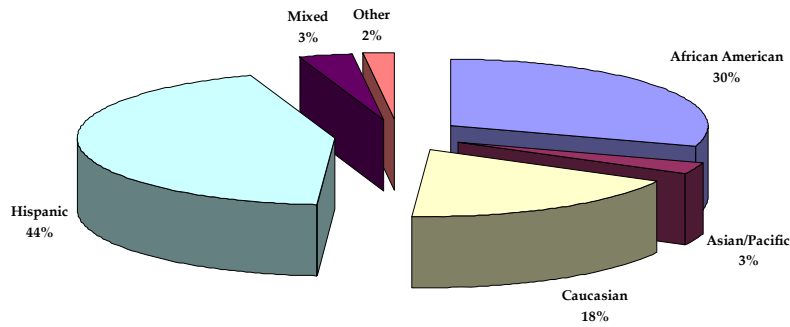
- Advocacy 2009 Legislative Session

### 3. Fair and Responsible Loan Products

- Launch of new loan programs



## Survey Finding: Payday Loans Hurt all Ethnic Groups



Appleseed  
*Living the Seeds of Justice*

## Survey Finding: Payday Loans Hurt Women

- 59% of payday borrowers in Texas are women.
- Most are single women and single mothers.

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*Living the Seeds of Justice*

## Policy Impact: 2009 Legislative Session

*"The room was filled with corporate lobbyists. I'd only seen things like that in the movies. I felt like I was going up against big tobacco."*

– RAISE Texas Member, April 2009

### Progress

- 40 RAISE Texas allies signed a letter asking for action.
- 13 bills with over 15 different members.
- Strong media attention.



## Policy Impact (cont.)

### Disappointments

- The hearings on the bills were designed to bog them down.
- Even the bill simply enforcing military 36% rate cap was blocked from reaching the Texas House floor for a vote.

### Opportunity

- Leverage the momentum of last session
- Federal efforts and efforts in other states



## Fair and Responsible Loan Products

### Nonprofit Loan Options

- RAISE Texas partners are launching small dollar loan programs
- Statewide loan pool concept

### Financial Institution Loans

- FDIC Pilot
- Real Solutions program



## Contact Information



[www.texasappleseed.net](http://www.texasappleseed.net)

Ann Baddour  
Texas Appleseed  
Tel: 512-473-2800x104  
[abaddour@texasappleseed.net](mailto:abaddour@texasappleseed.net)

