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NEWS RELEASE

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Payday Loans Threaten Texans' Financial Well Being

**** Defeat of Payday Lending Bill Urged****

AUSTIN—The Center for Public Policy Priorities today urged Chairwoman Beverly Woolley to oppose House Bill 846—a bill that would open up the practice of payday lending in Texas—in the name of promoting financial well being for all Texans. HB 846, by Rep. Dan Flynn, would make such loans more available, and more expensive, for desperate, cash-strapped Texans.

“HB 846 is industry-backed legislation that claims to regulate payday lenders,” said Celia Hagert of the Center for Public Policy Priorities. “In truth, HB 846 bill fails to prevent lenders from exploiting the cash-strapped families who use these loans. HB 846 works directly against the goals of Chairwoman Woolley’s HB 492—mandating financial literacy education in high school—as well as proposals by other lawmakers designed to help Texans make smarter decisions about their finances.”

HB 846 would allow payday lenders to charge up to 780% annual interest. Under current law, interest rates are capped at 48% per annum plus a \$10 fee, but lenders evade this cap through a loophole in the law that allows them to partner with out-of state banks to charge interest rates as high as 800 percent.

Rep. Flynn’s bill has generated opposition from groups that legislators normally don’t see united. In addition to the Military Officers Association of America, the Center for Public Policy Priorities, and People for the American Way, opponents include the AARP, the Texas Catholic Conference, Texas Impact, and the Christian Life Commission, as well as consumer advocates such as the Texas Public Interest Research Group.

“The Military Officers Association (MOAA) has become increasingly concerned about the very significant financial problems and penalties incurred by thousands of uniformed service members who are targeted by a wide variety of payday lenders,” stated Colonel Steve Strobridge, U.S. Air Force (Ret.), the Director of Government Relations for the Military Officers Association of America.

Payday loans are short term, high interest loans that some Texans rely on when they have trouble paying their bills between paychecks. In addition to exorbitant interest rates, payday lenders can charge high “rollover” fees that extend the loan when borrowers can’t repay it on time. In most cases, the need for such emergency cash can be addressed through responsible financial counseling and traditional, regulated financial institutions.

Rep. Flynn’s bill would, under the guise of “consumer protections,” make payday loans an even worse deal for low-income borrowers.

“HB 846 digs the payday loan debt trap even deeper for Texas families,” said Luke Metzger, of the Texas Public Interest Research Group. “It doubles the maximum size of loans from \$500 to \$1,000. For a \$500 two week loan, the bill quadruples the maximum interest rate allowed under current law. CSHB 846 is a green light to usurious and unaffordable payday loans.”

Rep. Woolley’s bill, House Bill 492, would include personal finance education as part of the essential knowledge and skill of the high school curriculum and require personal finance education as a condition for high school graduation. HB 492 enjoys wide support from teachers, financial institutions, the apartment association, consumer groups, accountants, and others.

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