

Texans & Short-Term Lending

Many Texans are living on the verge of financial collapse with little to no savings to rely on in an emergency. There is heavy demand for short-term credit in Texas.

- Nearly 34 percent of Texans do not have access to traditional banking and credit services.¹
- 78 percent of U.S. workers live paycheck to paycheck to make ends meet.²
- Two-thirds of Americans would struggle to scrounge up \$1,000 in an emergency.³

An overwhelming majority of short-term credit consumers understand, value, and are satisfied with our products and services.

- Based on transaction data from the Texas Finance Commission, the short-term lending complaint ratio was one for every 18,000 transactions. This is the lowest rate in the financial services industry.
- According to the Consumer Financial Protection Bureau, the short-term lending industry has generated just one complaint for every 32,000 loan transactions.⁴
- According to a national poll performed by Harris Interactive of short-term lending customers⁵:
 - 98 percent of short-term borrowers indicated that they were satisfied with their most recent loan experience.
 - 93 percent of short-term borrowers carefully weighed the risks and benefits before taking out a short-term loan.
 - 95 percent of short-term borrowers value having the option to take out a short-term loan.

¹ 2017 FDIC National Survey of Unbanked and Underbanked Households. economicinclusion.gov

² <http://press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey>

³ The Associated Press - NORC Center for Public Affairs Research [http://www.apnorc.org/news-media/Pages/News+Media/Poll-Two-thirds-of-US-would-struggle-to-cover-\\$1,000-crisis.aspx](http://www.apnorc.org/news-media/Pages/News+Media/Poll-Two-thirds-of-US-would-struggle-to-cover-$1,000-crisis.aspx)

⁴ 2015 Complaint volume statistics for Consumer Financial Protection Bureau

⁵ 2013 Harris Interactive Poll <https://www.businesswire.com/news/home/20131204005905/en/New-Poll-9-10-Payday-Loan-Borrowers>

Eliminating access to short-term credit does not decrease demand. It only drives Texans to more expensive alternatives such as off-shore unregulated loans (often obtained through the internet), Native American tribal loans, overdrafts, or criminal elements such as cartels or organized crime.

- According to the Federal Reserve Bank of New York, when Georgia and North Carolina banned short-term loans, households bounced more checks, complained more to the Federal Trade Commission about lenders and debt collectors, and filed for Chapter 7 bankruptcy protection at a higher rate than those states without restrictions.⁶
- After both Austin, Texas, and Dallas, Texas, passed municipal ordinances, storefront lending decreased around 13 percent, but online short-term lending increased 19 percent.

Eliminating short-term credit access for millions of Texans through onerous regulation will lead to taxpayer subsidized lending through government entities such as the U.S. Postal Service or taxpayer guaranteed programs.

- With a Texas short-term credit market at more than \$4 billion, community and charitable lending programs can't come close to meeting consumer demand.
- Liberal U.S. Sens. Elizabeth Warren, Bernie Sanders and U.S. Rep. Alexandria Ocasio-Cortez are calling for the establishment of taxpayer-subsidized lending through the U.S. Postal Service as the primary way of filling the demand for consumer credit.⁷
- With millions of Texans in need of short-term credit access, eliminating private sector access to credit will spur a movement towards taxpayer-backed, government-run lending products.

⁶ "Payday Holiday: How Households Fare after Payday Credit Bans - February 2008 https://www.newyorkfed.org/research/staff_reports/sr309.html

⁷ Campaign for Postal Banking www.campaignforpostalbanking.org