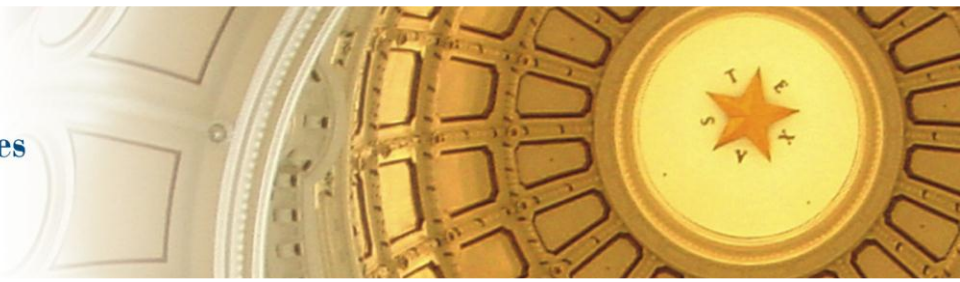




Center for Public Policy Priorities



Interim Charge

Implementation of HB 2592 and 2594

Senate Committee on Business & Commerce

Written Testimony

October 9, 2012

Don Baylor, Jr.

Senior Policy Analyst, Economic Opportunity

What the CAB Quarterly Reports Tell Us

- **Volume:**
 - Over \$1.3 Billion in Loan Activity
 - Over 1.7 million “new” loans
 - Over 1.7 million refinances, or “rollovers”
- **Cost of CAB Fee (per \$100):** Texas payday and auto title loans are among the **most expensive** in the U.S (~\$23 per \$100)
 - Alabama: \$17.50
 - Florida: \$10
 - Oklahoma: \$15 (less than \$300); \$10 (\$300-\$500)
- **For Single Payment Products, Consumer Refinancing is the Norm**
 - **Payday (73%)**
 - **Auto Title (68%)**
- **Auto Repossession:** CABs have repossessed over 17,000 autos (approx. 94 per day)
 - *Installment* Auto Title Loans have a much higher repossession rate

Focus on Single Payment Payday Loans: Current Law & Marketplace

- This product makes up about $\frac{3}{4}$ of loans & transactions
- Nearly **3 of every 4** (73%) single-payment loans are not paid back when initially due, and are **refinanced**, or “rolled over” at least
- About **2 in 3** (65%) refinancing consumers do so multiple times (Mean ~ 2.4)
- In 1Q-2Q 2012, we expect a portion of payday consumers **refinanced 4-8 times**

Average Loan	# of Rollovers	Total Consumer Cost (Repayment Ratio)
\$470	3	\$880 (1.9)
\$470	5	\$1,110 (2.4)
\$470	12	\$1,860 (4.0)
\$470	∞	∞

Complaints

- Spread across CABs and geographic areas
- About 235 complaints received (about one per day) through Aug. 24, 2012
- Loan Cost (APR, fees) and Repossessions most common category of complaints

What the Annual Report Will Tell Us

- Refinances:
 - Average Number of rollovers
 - Distribution Frequency
- Average number of days of indebtedness for customers who refinance “short-term” loans
- Potential Revision of OCCC Disclosures (HB 2592)
 - e.g. Most consumers refinance. Of those who refinance, the average consumer takes out a \$470 loan and “pays an annual total of \$_____ including interest and fees”
- Inform policymaking around reasonable limits on transactions and fees