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PAYDAY LENDING BY ANY OTHER NAME IS STILL PAYDAY LENDING: CLOSING THE CREDIT SERVICE ORGANIZATION LOOPHOLE

A thriving economy needs access to credit to create jobs and stimulate economic growth. Many Texas working families living paycheck-to-paycheck also need consumer credit to bridge the gaps between their income and basic needs. Consumer credit products should have protections, enabling Texans to meet their obligations while building their credit. Unfortunately, the Texas Credit Service Organization loophole allows payday and auto-title lending without state oversight and consumer protections. On Tuesday, February 22, the Texas Senate will hear testimony on Senate Bill 253 to close the CSO loophole, restore consumer protection, and create opportunity for Texans.

- **On Tuesday, February 22, the Senate Business & Commerce Committee will hear testimony on SB 253 to close the CSO loophole.**
- **Cities and counties across Texas support closing the CSO loophole.**
- **Editorial boards support closing the CSO loophole, including the Dallas Morning News and the San Antonio Express**

The Loophole

A CSO, or Credit Services Organization, is supposed to help people clean up bad credit. To regulate these organizations, the Legislature enacted the Credit Services Organization Act. Instead of helping, though, CSOs are exploiting Texas consumers and using the act as a loophole for high-cost payday and auto-title lending.

Unlike other consumer loans, CSO loans have no state protections or oversight. As a result, short-term loans offered by CSO, while meant to bridge a financial gap, actually lead to a sinkhole of debt for a family with no end in sight. The state should close this loophole.

Across the state, Texas communities are coping with the damage done by predatory lending under the CSO loophole:

- Local governments and charities are draining scarce budget and charitable resources to assist payday and auto-title loan borrowers.
- Worsening credit scores across the state, already among the worst in the country, undermine economic development in communities.

The Solution

Fortunately, there is an easy solution—bring CSOs under the same rules as other lenders by making every lender offering consumer loans subject to the rules in Chapter 342 of the Texas Finance Code. Making all lenders operate by the same rules better protects consumers and levels the playing field for lenders.