

Testimony Presented to Senator Corona's Committee

Texas Senate

October 9, 2012

Hearing on Payday and Auto Title Loans

Senator Corona, Members of the Committee, Ladies and Gentlemen:

My name is Jerry Mitchell. Through St. Theresa's Catholic Church here in Austin, I work weekly with our St. Vincent de Paul Society in its outreach efforts to community members in need. The past two years, I have become very involved in helping our parish members extricate themselves from excessive indebtedness to auto title loan companies.

In my first encounter, a family had just lost their new-born baby and, simultaneously, learned that the young mother had a severe, debilitating illness. Despite both members of the family having full time jobs, they had been forced to seek emergency money to pay for their newborn's funeral expenses and for medical care for the mother. They obtained an auto title loan for \$2,500. When we met, they already owed over \$3,100 due the following month. With our help to pay over \$1,500 for rental and utility expenses, the family had time to obtain a credit card and transfer their auto title loan to an interest rate 1/10<sup>th</sup> that of the auto title loan. Without our help, the family would have lost their only automobile worth \$6000, a vehicle critical to their ability to maintain their jobs.

My second encounter was with an elderly spouse whose daughter and husband had died within weeks of each other. Suffering from medical and funeral expenses and the loss of her husband's social security check, she, too, turned for the first time to an auto title loan and borrowed \$3,100. Despite making monthly payments totaling nearly \$2,500 over four months, she was about to lose her vehicle when we met. We were able to find a church benefactor who loaned her \$3,100 to pay off the loan and get her only means of transportation back, a vehicle worth \$5,000.

Another individual with a full-time job borrowed \$800, using his vehicle worth \$4000 as collateral. Again, despite making payments of nearly \$1,700 and missing only one payment in six months, he still owed \$1,200 when we met him. With pro bono legal assistance, which we arranged, he was able to save his vehicle because of legal mistakes made by the auto title company.

These three individuals would have lost their vehicles despite having paid large amounts of money over and above the amount of money they borrowed. Unlike thousands of other Texans in similar situations, they found by chance our St. Vincent de Paul Society. I personally spent at least two hundred hours helping these individuals escape the predatory practices of auto title loan companies.

All of these individuals worked or had alternative income. All of these individuals were well-spoken, thoughtful citizens, who never would have taken out such loans had they understood the exorbitant fees and financial hardship associated with these loans.

Yes, they were given very detailed contracts, but, of course, written in complicated legalese. Yes, the APRs of nearly 400% were clearly expressed in the contracts. And, yes, they thought they had no other alternative to obtaining the emergency money that they needed quickly.

However, I wonder what good is a loan that in thousands of cases so often results in repossession of a valuable vehicle even after paying back two or even three times the original value of the loan? What good comes from providing badly-needed emergency money that leaves the borrower much worse off than he or she was before the loan? What good does it do for our churches and other non-profits to use their money to pay rent, provide electricity, and pay for food and medicine so that individuals can pay endlessly on auto title loans so they do not lose their only means of transportation? What value does society gain by allowing "usury" to exist -- even if it goes by another name?

Thank you for your consideration and time.