



Short-Term Borrowing in Texas

1. The Legislature, the Sunset Commission and the Office of the Consumer Credit Commissioner (OCCC) conducted an exhaustive review of all of the credit access business (CAB) laws and regulation from 2018 to 2019. Adjustments were made to both the laws and the rules. Also, with a new president, it is anticipated the federal Consumer Financial Protection Bureau (CFPB) will reexamine federal regulations governing consumer credit. Speculative, ill-advised state legislation could conflict with anticipated changes to federal rules.
2. Consumer borrowing in Texas is heavily regulated at both the state and federal level. In addition to state laws and regulations, there are over 26 federal laws and regulations governing consumer credit transactions lenders must follow.
3. The OCCC has a very effective and detailed complaint resolution process. Every complaint received is investigated. The resolution of every complaint includes a written notice to the borrower and the CAB about steps taken to resolve the issue. Disclosures about how to file a complaint with the OCCC about a loan are included in every loan document and on posters on the wall of every CAB office.
4. The OCCC receives one complaint for every 21,000 credit access business transactions in Texas. According to the federal CFPB, less than one percent of all complaints received are short-term credit transactions. The complaint ratio is the lowest for any consumer credit transaction.
5. During the pandemic, CABs worked with their customers providing repayment assistance including extending due dates, waiving bounced check charges, implementing extended payment plans and freezing collection activities. Stimulus checks are typically cashed at no charge. Loan repayments reached unprecedented heights while loan demand dropped significantly as consumers purposefully avoided taking on new debt. Lenders tightened their credit underwriting requirements as a response to pandemic economic conditions, with loan approval rates dropping significantly.
6. Consumers make rational decisions when faced with a financial emergency. Despite relatively low credit scores and other financial limitations, surveys consistently show over 93% of borrowers carefully weighed their options (including borrowing from family members, reducing expenses, working overtime or obtaining a second job) before accessing credit.
7. Access to credit is vitally important to the over two thirds of Texans who live periodically from paycheck to paycheck. The Federal Reserve Bank reports 40% of Americans would struggle to come up with \$400 in a financial emergency. The ability to get a car, or truck, repaired is critical to keeping a job. Families must be able to pay for an unexpected medical bill and to fill a prescription.
8. According to the Federal Reserve Bank, eliminating or arbitrarily restricting access to credit in financial emergencies leads to a significant increase in expensive bank overdraft charges and a substantial increase in consumer bankruptcies
9. Opponents of small, short-term borrowing offer no realistic, or sustainable, alternatives for hard working Texans with financial emergencies. All options, including Postal Service “banking”, involve significant federal tax dollar subsidies to be viable. Banks and credit unions offer no realistic, sustainable options for financially strapped Texans facing immediate borrowing emergencies.