2015 Report on Availability, Quality, and Pricing of Certain Financial Services and Consumer Loan Products

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The Office of Consumer Credit Commissioner is pleased to present the *2015 Report on the Availability, Quality, and Pricing of Certain Financial Services and Loan Products.* The report provides an overview of certain segments of the consumer financial services market in Texas the Office of Consumer Credit Commissioner regulates, as well as the availability, quality, and pricing of certain financial services and consumer loan products.

The report has been prepared in response to and fulfills certain constitutional, statutory, and administrative regulation requirements.

► **Texas Finance Code, Sec. 11.305**. RESEARCH. (a) The finance commission shall instruct the consumer credit commissioner to establish a program to address alternatives to high-cost lending in this state. The program shall:

(1) study and report on the problem of high-cost lending, including without limitation the availability, quality, and prices of financial services, including lending and depository services, offered in this state to agricultural businesses, small businesses, and individual consumers in this state;

(2) evaluate alternatives to high-cost lending and the practices of business entities in this state that provide financial services to agricultural businesses, small businesses, and individual consumers in this state;

(3) develop models to provide lower-cost alternatives to assist borrowers who contract for high-cost loans; and

(4) track the location of lenders who enter into loan contracts providing for an interest charge authorized by Section 342.201, map the location of the lenders by senatorial district and by any other appropriate areas, provide other demographic information relating to the loans and the location of the lenders, and provide information on the changes in the distribution of the lenders from 1997 through the date of the report.

(b) …

(c) Not later than December 1 of each year, **the consumer credit commissioner shall provide to the legislature a report** detailing its findings and making recommendations to improve the availability, quality, and prices of financial services.

► **Texas Finance Code, Sec. 342.559**. ANNUAL REPORT. (a) Each year, not later than May 1 or a later date set by the commissioner, an authorized lender shall file with the commissioner a report that contains relevant information required by the commissioner concerning the lender's business and operations during the preceding calendar year for each office of the lender in this state where business is conducted under this chapter.

(b) …

(c) ...

(d) **Annually the commissioner shall prepare and publish a consolidated analysis and recapitulation of reports** filed under this section.

► **Title 7, Texas Administrative Code, Sec. 83.5001**. (a) Generally. Each licensee must file the required reports described by this section for the prior period's credit access business activity in a form prescribed by the commissioner and must comply with all instructions relating to submitting the reports. During each calendar year, licensees are required to submit four quarterly reports as provided by Texas Finance Code, §393.627. Additionally, certain quarterly data will be collected by the OCCC on an annual basis under Texas Finance Code, §393.622(a)(1). For purposes of this section, the term "annual report" refers to the quarterly data submitted on an annual basis.

(b) …

(c) …

(d) Aggregated public information. **The OCCC will publish aggregated data** on its website within a reasonable time after each quarterly report and annual report is due.

► **Title 7, Texas Administrative Code, Sec 85.502**. As part of the examination process, a report must be filed in conjunction with the pawnshop license renewal providing certain information in a format prescribed by the commissioner at the date of filing and in accordance with the commissioner's instructions. The commissioner may accept the use of prescribed alternative formats in order to accept approved electronic submissions. These submissions are collected under the examination authority of Texas Finance Code, §371.201, and are confidential under the provisions of Texas Finance Code, §371.206. **The commissioner will publish an aggregated report.** A report for each licensed location must be filed for the period of January 1st to December 31st of the preceding year and include:

(1) Number of pawn loans made during the year;

(2) Amount advanced in connection with pawn loans made during the year;

(3) Number of pawn loans outstanding on the December 31st immediately preceding the due date of the report; and

(4) Amount of pawn loans outstanding on the December 31st immediately preceding the due date of the report.

► **Article XVI, Texas Constitution, Sec. 50 (s)** The Finance Commission of Texas shall appoint a director to conduct research on the availability, quality, and prices of financial services and research the practices of business entities in the state that provide financial services under this section. **The director shall collect information and produce reports on lending activity** of those making loans under this section. The director shall report his or her findings to the legislature not later than December 1 of each year.

The report presents information on the following financial products or market segments and is organized accordingly:

Home Equity Loans

Consumer Loans: Signature / Small Installment Loans

Credit Access Businesses (Payday and Title Loans)

Pawn Loans

Alternatives to High-Cost Lending

Further, the report displays data on the distribution of licensed financial service providers by senatorial district pursuant to Texas Finance Code, Sec. 11.305. You may contact the OCCC at info@occc.texas.gov or 512.936.7652 regarding this report.

Overview

The Office of Consumer Credit Commissioner (OCCC) maintains regulatory oversight over segments of the financial services marketplace in Texas. Most types of consumer lending not secured by real estate and made by non-depository institutions are supervised by the OCCC. Exempt lenders (e.g. banks) and exempt transactions (e.g. loans at rates lower than 10%) contribute to the remaining marketplace.

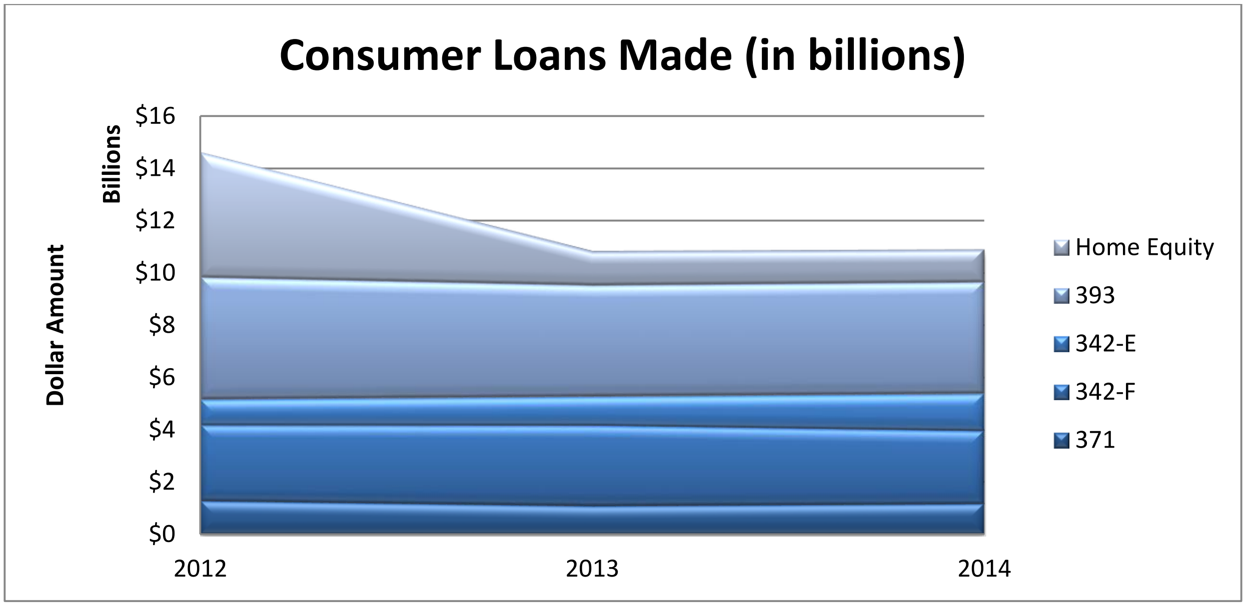
Several types of credit products are available and range from those heavily used by Texas consumers to niche offerings. This report highlights five of the common loans that Texas consumers receive from OCCC licensed lenders and compares general alternatives to those products.

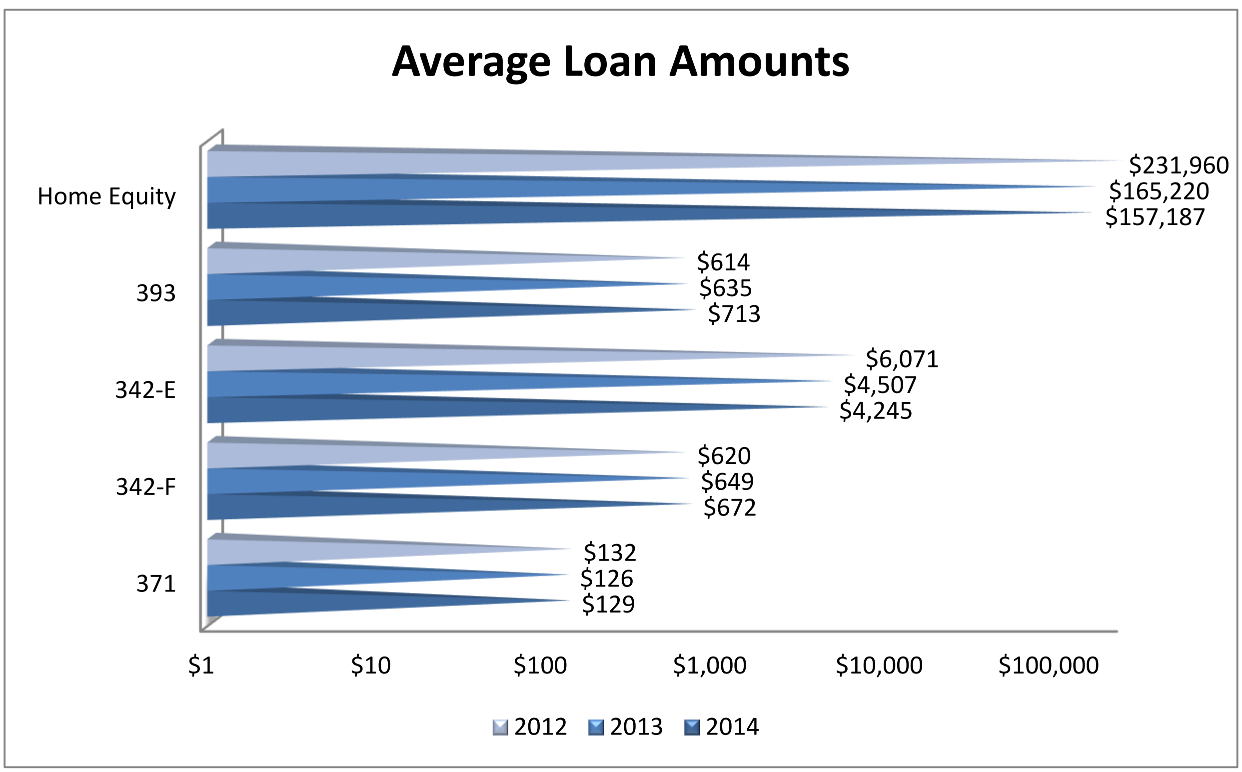
Sometimes, however, the OCCC may only supervise and collect data on a particular segment of an industry. For example, home equity loans are common products offered by depository institutions and trends in OCCC licensed lenders may not be indicative of the entire marketplace. Alternatively, the OCCC possesses exclusive jurisdiction over pawn loans, and annual report data should reflect trends in the entire industry.

Other than Home Equity loans, the products described in this report are non-real estate secured loans. Borrowers may often take out several loans during a year refinancing an original loan. As shown in Table 1, the OCCC licensed lenders and financial service providers discussed in this report made 19,622,649 loans in 2014. Additional annual report information, characteristics, alternatives and pricing information relating to these transactions are contained in this report.

Consumer Loans Made	2014	2013	2012
Number Personal/Secured Loans (**342-E**)	331,915	244,644	160,952
Number Small Installment/Signature Loans (**342-F**)	4,150,111	4,750,605	4,673,613
Number of Pawn Loans (**371**)	9,137,483	8,626,594	9,739,617
Number Payday/Title Loans (**393**)	6,001,126	6,714,507	7,620,290
Total	**19,622,649**	**20,338,363**	**22,196,484**

Table 1: Number of transactions by selected OCCC licensee





Home Equity Loan[1]

Overview

A home equity loan allows borrowers to use the equity accumulated in their homestead. A borrower may not take out a home equity loan before the first anniversary (minimum of 365 days) of the closing date of any existing equity loan that is secured by the same homestead property. Borrowers may only have one equity loan against an existing homestead at any given time. Non-interest closing costs are limited to 3% of the original principal balance of the home equity loan. The fair market value of the homestead must be determined and agreed to, in writing, by both the borrower and lender. Borrowers must wait at least 12 days before closing the loan.

Type of Customer

Borrowers need to own their homestead and have accumulated enough equity to borrow against it. Lenders cannot lend based solely on the value of the home. The borrower must have enough stable income to repay the loan. Some lenders might require the borrower to refinance any existing liens secured by the homestead into the home equity loan.

Typical Rates

Home equity loans are generally the least expensive loan option because the borrower's home is used as security. Interest is capped at 18% but the rates are generally set similar to other mortgage products. Closing costs are limited to 3% of the loan amount.

Allowable Charges	Home Equity Loans
• Interest Rates: up to 18% (current market rates **5.22%**) • Closing costs may not exceed 3% of the loan • Late fees may apply • May be required to pay an origination charge • Discount points are optional	• 1-year prohibition on renewals • Total loans may not exceed 80% of fair market value • 12-day waiting period on closing • Option of very long (30 years) repayment term • May be provided as a line of credit (HELOC)

Default

The greatest risk the borrower faces is the foreclosure and loss of their homestead. The foreclosure must be performed through a judicial process or an expedited foreclosure procedure (Rule 736 Texas Rules of Civil Procedure). After foreclosure, the borrower does not face any recourse if the lender fails to recover the loan balance.

Alternatives

Home equity loans offer the most flexible repayment terms available to consolidate debt. However, the risk to borrowers (losing their homestead) possesses the greatest possible ramification. Instead, borrowers could seek unsecured options such as personal loans, unsecured bank loans, and peer-to-peer lending. Another alternative is a reverse mortgage available to those borrowers 62 years and older.

[1] Bankrate, Current Home Equity Interest Rates, available at http://www.bankrate.com/finance/home-equity/current-interest-rates.aspx Retrieved 11/02/2015.

2015 Home Equity Lending Report

Data contained in this report is reported on a calendar year basis and reflects data through CY 2014. Data in this report only includes information reported by OCCC licensees and may not reflect data or trends for the mortgage industry as a whole.

Section 50(s), Article XVI of the Texas Constitution requires that home equity lending data be reported. Additionally, Texas Finance Code §11.305 creates a responsibility for research on the availability, quality, and prices of financial services. Mortgage activity has long been used by economists as an economic indicator. This section presents data on mortgage activity conducted by lenders licensed by the Office of Consumer Credit Commissioner (OCCC), including information about home equity and Texas Finance Code Chapter 342, Subchapter G (second-lien mortgage) loans. Home equity loans fall into two broad categories: second mortgage and first mortgage. A first-lien home equity loan allows a consumer to refinance an existing mortgage and receive cash (commonly called a 'Cash Out Refinance'). A second-lien home equity loan typically is made at a higher interest rate than a first-lien transaction. Most 342.G loans are typically home improvement or purchase money loans. 342.G may also include second lien-loans with a cash advance made to or on the behalf of the borrower.

Section 342.559 of the Texas Finance Code requires lenders to annually submit key financial information to the OCCC regarding home equity and 342.G loans. The information reported reflects activity at the company level and is not location specific; therefore, the data can be presented only on a statewide basis. Upon receiving the information, the OCCC enters the information into a database and reviews it for reasonableness.

The data reported to the OCCC is placed within three categories: loans made, loans brokered, and loans receivable. Information on each of these categories is provided in the following data tables. Senate Bill 1124 in 2011 provided that a person who holds a mortgage loan originator license under Chapter 156 or a mortgage banker license registration under Chapter 157 is no longer required to hold a license under Chapter 342 to make, arrange, or service secondary mortgage loans. Consequently, many of these entities are no longer licensed under Chapter 342 and no longer report activity that may have been previously reported. Other home equity lenders are regulated by different regulatory agencies, such as Texas Department of Savings and Mortgage Lending.

Home Equity Lending Data

LOANS MADE	2014	2013	2012	2011	2010
1st Lien Home Equity Loans	7,916	7,902	7,860	9,713	8,841
Dollar Amount Loaned	$1,247,699,984	$1,318,968,869	$1,404,503,607	$1,433,514,284	$1,339,413,744
Average Loan Amount	$157,617	$166,916	$178,690	$147,587	$151,500
2nd Lien Home Equity Loans	84	99	38	145	129
Dollar Amount Loaned	$9,794,487	$2,957,603	$1,619,976	$5,016,922	$3,774,935
Average Loan Amount	$116,601	$29,875	$42,631	$34,600	$29,263
342.G Loans	83	2,244	2,603	2,091	2,983
Dollar Amount Loaned	$5,726,317	$121,924,122	$223,211,896	$142,683,555	$221,331,642
Average Loan Amount	$68,992	$54,175	$85,752	$68,237	$74,198

LOANS BROKERED	2014	2013	2012	2011	2010
1st Lien Home Equity Loans	38	118	175	253	77
Dollar Amount Loaned	$15,198,621	$29,861,758	$39,799,179	$57,000,193	$7,955,333
Average Loan Amount	$399,964	$253,066	$227,424	$225,297	$103,316
2nd Lien Home Equity Loans[2]	-	-	-	-	1,650
Dollar Amount Loaned	-	-	-	-	$241,702,861
Average Loan Amount	-	-	-	-	$146,487
342.G Loans	482	603	278	225	1,116
Dollar Amount Loaned	$28,726,643	$40,801,887	$15,018,586	$8,794,323	$147,066,143
Average Loan Amount	$59,599	$67,665	$54,024	$39,086	$131,780

LOANS RECEIVABLE	2014	2013	2012	2011	2010
1st Lien Home Equity Loans	23,787	29,216	65,290	57,121	79,182
Dollar Amount Loaned	$1,380,126,187	$1,989,944,193	$5,114,918,729	$4,111,521,042	$4,937,449,902
Average Loan Amount	$58,020	$68,111	$78,342	$71,979	$62,356
2nd Lien Home Equity Loans	4,252	4,931	27,567	13,393	21,989
Dollar Amount Loaned	$93,698,291	$110,595,057	$851,592,516	$310,790,804	$446,354,539
Average Loan Amount	$22,036	$22,429	$30,892	$23,205	$20,299
342.G Loans	3,122	6,877	3,745	4,756	3,828
Dollar Amount Loaned	$107,701,710	$208,361,139	$189,346,091	$157,184,202	$112,837,615
Average Loan Amount	$34,498	$30,298	$50,560	$33,050	$29,263

	2014	2013	2012	2011	2010
Number of companies reporting	**777**	**778**	**812**	**786**	**799**

[2] 2nd lien home equity broker transactions were reported by less than five locations. Data was withheld to protect confidentiality of reporting businesses.

Consumer Loans: Personal/Secured Loans (342-E)

Overview

Personal or secured loans (342-E) offer higher loan amounts and lower annual interest rates than signature and small installment loans. Loan applications are normally processed and closed in the same day. Borrowers refinance these obligations at a lower rate than alternative products. Borrowers are more likely to repay these loans as scheduled than subchapter F or payday loans. These stores are usually in business districts and suburban areas.

Type of Customer

Borrowers of small consumer loans made under 342-E typically have better credit profiles than unsecured/signature loan borrowers. A 342-E borrower likely needs substantial disposable income each month to meet the loan payment. Loans may be secured by personal property or may be unsecured. An unencumbered motor vehicle title may be needed as security for borrowers with derogatory tradelines on their credit history.

Typical Rates

The maximum allowable rates for 342-E loans are determined in statute and depend on the amount loaned. Some borrowers may receive a lower-than-maximum interest rate, and the lender may offer additional products and services such as credit insurance or automobile club memberships. Fees for filing liens (perfecting a security interest), prepaid administrative fees, repossession expenses, and attorney costs may also be included in the loan terms.

Allowable Charges	Loan Terms
• Rates are typically **18% - 41%** • A prepaid Administrative Fee of up to $100 may be included • Late Charge are 5% of the missed payment after 10 days after the due date • Fee for dishonored payment by check is $30	• No Maximum Loan Amount: (typically $2,000-$3,000) • Loan Term: Can be 60 months or more • Typically, no more than one outstanding loan per borrower per store • Prepayment allowed and interest is normally calculated on a simple annual basis

Default

Borrowers with secured loans risk losing their personal property, motor vehicle, or other security to the lender. The lender or third party debt collector may pursue the remaining deficiency or the entire balance of unsecured loans. A lender may file suit against the borrower, and most report the repayment history to consumer reporting agencies. A borrower may also face attorney fees, repossession fees, and court costs added to the loan balance.

Alternatives

Personal/Secured consumer loan borrowers normally have traditional options for credit. Most could use credit cards for purchases or cash advances, personal loans from credit unions and community banks, loans from online peer-to-peer lending platforms, or home equity loans.

Consumer Loans: Signature/Small Installment Loans (342-F)

Overview

Small installment loans (Texas Finance Code 342-F) are available to customers with minimal security and credit references. Due to the higher-cost nature of these loans, cash advance amounts are limited by law. Loans may be unsecured or may be secured by personal property or the holding of a vehicle title; however, lenders rarely file liens (or perfect a security interest) as the costs of filing such liens cannot be recouped from the consumer.

The industry is very homogeneous: storefronts of different companies may be clustered within a specific region or location, lenders typically charge the maximum loan rates allowed by law, and different lenders may have common borrowers. Lenders depend on repeat business, and many customers end up refinancing their loans several times.

Like pawnshops, small installment lenders are located in high traffic areas such as strip malls. Some lenders may offer loans through the mail where the offer in the form of a live check can be accepted and cashed outside of a store. In most cases, borrowers can expect to receive their funds the same day they apply. Loan proceeds are typically provided by check.

Type of Customer

Small Consumer loans made under 342-F rates are available to customers with below average credit scores because of the higher rates. Unlike pawn loans, a 342-F borrower needs employment income or some other source of steady income in order to qualify for the loan, and the borrower must be able to repay the loan and all other known obligations concurrently.

Typical Rates

The maximum allowable rates for 342-F loans are determined by statute. Most lenders charge the maximum interest rates (installment account handling charge), but some may compete with a lower Acquisition Charge. The current maximum rates are as follows:

Allowable Charges

- Fee Structure for Loans > $100:
  - APR **80%-90%**
  - Up to $100 non-refundable Acquisition Charge
  - $4 per $100/month Installment Account Handling Charge
  - Late Charge is typically $10 after 10 days after the due date
  - Fee for dishonored payment by check is $30

Loan Terms

- Maximum Loan Amount: $1,340
- Loan Term: Limited, Usually 9 - 18 months
- Typically, no more than one outstanding loan per borrower per company
- Prepayment allowed (without penalty) and interest can be calculated on a simple or precomputed basis

Default

Borrowers with secured loans risk losing their personal property, motor vehicle, or other security to the lender. The lender or third party debt collector may pursue the remaining deficiency or the entire outstanding balance of unsecured loans. A lender may file suit against the borrower or repossess the collateral, and some lenders report the repayment history to consumer reporting agencies.

Alternatives

Small consumer loan borrowers typically run into eligibility issues with other credit products. Possible alternatives are pawn loans, credit card advances, and payday loans.

Regulated Lender

Consolidated Volume Report
Calendar Year 2014

Loans Made	Number of Loans	Dollar Value of Loans
Chapter 342-E	331,915	$1,409,105,38
Chapter 342-F	4,150,111	2,789,951,607
Chapter 342 G – Secondary Mortgages	83	5,726,317
Home Equity Loans – 1st Lien	7,916	1,247,699,984
Home Equity Loans – 2nd Lien	84	9,794,487
Chapter 346 – Revolving Credit Accounts	7,556	12,908,489
Chapter 348 – Motor Vehicle Sales Finance	214,737	5,180,899,191
Chapter 345 – Retail Installment Sales/Contracts	13,060	49,220,789
Chapter 347 Loans – Manufactured Housing	5,982	334,305,791
Total	4,731,444	$11,039,612,041

Loans Receivables	Number of Loans	Dollar Value of Loans
Chapter 342-E	349,626	$1,874,613,539
Chapter 342-F	1,821,082	1,124,099,109
Chapter 342 G – Secondary Mortgages	3,122	107,701,710
Home Equity Loans – 1st Lien	23,787	1,380,126,187
Home Equity Loans – 2nd Lien	4,252	93,698,291
Chapter 346 – Revolving Credit Accounts	323,274	699,222,028
Chapter 348 – Motor Vehicle Sales Finance	616,749	7,773,310,743
Chapter 345 – Retail Installment Sales/Contracts	20,047	73,578,907
Chapter 347 Loans – Manufactured Housing	29,237	1,249,191,575
Total	3,191,176	$14,375,542,089

Number of Companies Reporting: 777

Credit Access Businesses (Payday and Title Loans)

Overview

Credit access businesses (CABs) obtain credit for a consumer from an independent third-party lender in the form of a deferred presentment transaction or a motor vehicle title loan, more commonly referred to as "payday loans" or "title loans." In Texas, the actual third-party lender is not licensed; rather, the credit access business that serves as the broker is the licensee in this regulated industry.

Credit access businesses charge a broker fee to the consumer for obtaining the third-party loan. Fees are usually calculated as a percentage of the loan amount, either prepaid or accrued daily while the loan is outstanding. All payments are made directly to the CAB, and the borrower will generally not have any direct contact with the lender. Normally the CAB provides the borrower a proceeds check issued from the Lender's account. Borrowers can obtain these loans in high traffic areas, inside of some pawnshops, and increasingly online.

Type of Customer

Payday loan customers need an active bank account, and lenders will loan based on the expectation that money is regularly deposited in that bank account. Title loan customers are required to have an unencumbered motor vehicle title to offer as security. Both types of customers could have anywhere from average to poor credit scores and choose these loans out of convenience or eligibility reasons.

Typical Rates

The majority of the loan cost is not capped. Broker fees charged to borrowers typically depend on the amount of the loan and the length of the term. CAB agreement terms are limited to 180 days or less. The entire loan may be due in a matter of days, or the loan may be due over several equal payments. Refinancing or renewing payday and title loans is very common which can add to the cost.

Allowable Charges

- Fees charged by broker are uncapped (lender interest is 10% or less)
- APR can exceed **400%+**
- Late Charge is higher of 5% of payment or $7.50 after 10 days
- Filing Fees and NSF Fees
- Buyer may have the option to purchase insurance or motor club memberships

Loan Terms

- No Maximum Loan Amount (typically $400-$1,200)
- Loan Term: Anywhere from 3 - 180 days
- Entire amount may be due in a single payment
- Prepayment (without penalty) allowed but fees may be non-refundable

Default

Borrowers with title loans risk losing their motor vehicle to the lender or to the CAB. The loan is guaranteed by the CAB, and the borrower will be pursued for the deficiency balance. The creditor may file suit against the borrower, and most report the repayment history to consumer reporting agencies. A borrower may also face attorney fees, repossession fees, and court costs added to the loan balance.

Alternatives

Payday and Title loan borrowers generally pay a high rate for their credit and may run into eligibility issues with other products. Possible alternatives are pawn loans, credit card advances, and small installment loans.

Credit Access Business (CAB)
Annual Data Report, CY 2014

The data contained within the below summary represents aggregated statewide annual data reported by credit access businesses (CABs) ***as of 6/16/2015.*** *The OCCC reviewed the data for reasonableness. The OCCC continues to receive amended or corrected data submissions, and periodic revisions are published when significant.* *The OCCC will request verification from the licensee of any data that is found to be questionable or unreasonable.*

Title 7, Section 83.5001 of the Texas Administrative Code requires CABs to file annual data reports with the Office of Consumer Credit Commissioner (OCCC) identifying loan activity associated with

- single and installment deferred presentment (payday) loans, and
- single and installment auto title loans.

Data Limitations

Data provided by reporting CABs reflects location-level activity for the identified year. Each licensed location is treated as an individual reporting unit. If data were compiled from individual customers, it could produce different results.

Item Number	Item Description	Single Payment Deferred Presentment Transactions	Installment Deferred Presentment Transactions	Single Payment Auto Title Loans	Installment Title Loans
1	Number of extensions of consumer credit paid in full or otherwise closed for reduced payoff during the report year that did not refinance.	568,362	599,632	92,968	41,080
2	Number of refinances of extensions of consumer credit before paid in full or otherwise closed for reduced payoff in the report year.[3]				
2A	Refinancing 1 time	190,138	65,063	33,677	8,630
2B	Refinancing 2-4 times	369,467	31,925	52,860	6,453
2C	Refinancing 5-6 times	55,321	3,570	21,139	919
2D	Refinancing 7-10 times	59,111	2,107	20,940	784
2E	Refinancing more than 10 times	32,875	2,281	14,581	579

(Table continued to next page)

[3] Item 2 collects information on the number of times a loan was refinanced before it was ultimately paid off. Data includes all loans paid out in the calendar year that had been refinanced prior to being paid in full, regardless of when the loan was originated.

Item Number	Item Description	Single Payment Deferred Presentment Transaction	Installment Deferred Presentment Transaction	Single Payment Auto Title Loans	Installment Auto Title Loans
3	Total amount of CAB fees charged by the CAB on all CAB contracts during the report year.	$487,953,447	$708,395,390	$241,983,547	$94,637,319
4	Total number of extensions of consumer credit or refinances where the CAB repaid the third-party lender under a contractual obligation, guaranty, or letter of credit.	546,769	373,494	238,182	44,722
5	Number of consumers for whom the CAB obtained or assisted in obtaining an extension of consumer credit during the report year.	844,690	601,955	251,466	59,771
6	Total number of new extensions of consumer credit during the report year for each of the following loan ranges (cash advance amounts).				
6A	$0 - $250	464,884	245,418	19,207	4,203
6B	$251 - $500	639,984	290,894	70,208	17,031
6C	$501 - $750	224,371	134,743	50,053	11,869
6D	$751 - $1000	161,842	94,364	42,665	8,974
6E	$1001 - $1500	84,026	63,815	47,017	11,073
6F	$1501 - $2000	12,834	21,475	22,310	6,397
6G	$2,001 - $2,500	1,421	4,635	16,931	3,100
6H	$2,501 - $3,000	3,101	3,640	7,985	1,715
6I	$3,001 - $5,000	12	102	15,322	2,406
6J	$5,001 - $7,500	3	3	6,524	484
6K	Over $7,500	1	0	1,646	398
7	Total dollar amount of new extensions of consumer credit during the report year for each of the following loan ranges.				
7A	$0 - $250	$84,144,202	$41,517,709	$3,598,932	$820,353
7B	$251 - $500	$249,573,789	$112,201,192	$28,742,267	$6,366,726
7C	$501 - $750	$141,549,301	$85,633,045	$31,199,194	$7,233,654
7D	$751 - $1000	$147,154,668	$84,999,155	$38,966,063	$8,133,239
7E	$1001 - $1500	$109,492,299	$82,680,927	$57,505,024	$13,205,602
7F	$1501 - $2000	$22,744,530	$39,024,837	$39,222,533	$10,874,462
7G	$2,001 - $2,500	$908,362	$10,578,920	$37,312,095	$6,828,885
7H	$2,501 - $3,000	$9,084,737	$10,360,910	$22,017,556	$4,546,049
7I	$3,001 - $5,000	$46,989	$349,312	$56,708,384	$9,137,815
7J	$5,001 - $7,500	$18,221	$17,016	$35,641,308	$2,859,244
7K	Over $7,500	$15,029	$0	$15,936,140	$4,735,682

(Table continued to next page)

Item Number	Item Description	Single Payment Deferred Presentment Transaction	Installment Deferred Presentment Transaction	Single Payment Auto Title Loans	Installment Auto Title Loans
8	Total number of refinances on extensions of consumer credit originated in the report year.	2,368,312	155,419	626,832	31,477
9	Total dollar amount of extensions of consumer credit for the report year.	$768,539,619	$464,644,390	$368,072,229	$73,112,913
10	Total dollar amount of refinances for the report year.	$1,350,369,539	$150,892,838	$1,036,294,334	$65,071,664
	Number of locations reporting activity in each category	2,163	1,112	2,334	1,472
	Total Number of Companies Reporting				3,498

Pawn Loans

Overview

A pawnshop offers short-term credit to customers (pledgors) who pledge their tangible personal property as collateral for a cash advance. This is the only type of consumer loan that involves a possessory interest where the pledgor relinquishes use of the security during the life of the loan.

The majority of pawnshops are storefronts in high traffic areas. Depending on the wait in the pawnshop, the customer could be expected to receive the cash proceeds in a matter of minutes. Recently, companies have begun exploring an internet platform for this lending.

Type of Customer

A pawn loan is strictly an asset backed loan and no credit application is required. The pledgor is not required to have a job or the ability to repay the loan. The only eligibility requirements are:

1. Age 18 or over
2. Proper form of Identification
3. Legal right to possess and pledge the goods

Typical Rates

The maximum allowable rates for pawn loans are determined by statute. Most pawnshops charge the maximum rates with occasional promotional offers. The current maximum rates are as follows:

Allowable Charges (Finance Charge Brackets and Maximum Effective Rates*)	Loan Terms
•**240%** for loans up to $201 •**180%** for loans up to $1,340 •30% for loans up to $2,010 •12% for loans up to $16,750	•Cannot exceed one month •Min additional 30-day grace period •May be renewed or extended •No personal liability for pledgor

**The bracket amounts shown above adjust each July 1 based upon the Consumer Price Index.*

Default

In order to reclaim possession of the pledged goods, the pledgor must repay the entire loan. If the customer does not redeem pledged items at the end of the loan term, those items then become part of the pawnshop's inventory and are offered for sale to the general public. In the event of forfeiture, the pledgor has no further obligations and the pawnshop is prohibited from seeking a deficiency, filing suit, or reporting the default of loan on the pledgor's credit history.

Alternatives

Generally, pawn loans have the least restrictive eligibility and almost anyone could choose to become a customer. The most direct alternative would be selling the secured goods to the pawn shop, a consignment shop, or a private party. If the customer qualifies, a small consumer loan (342-F) secured by personal property could be less expensive.

Pawn Industry
Consolidated Volume Report
Calendar Year 2014

Loans Made	Number of Loans	Dollar Value of Loans	Average Loan
	9,137,483	$1,179,475,740	$129

Loans Outstanding	Number of Loans	Dollar Value of Loans	Average Loan
	2,134,114	$286,043,076	$134

Number of Companies Reporting: 1,521

Alternatives to High-Cost Lending
Consumer Loans: Personal/ Unsecured Loans

Overview

Within the last couple of years, non-profit and for-profit groups in Texas have been offering new loan products that provide lower-interest alternatives to payday and auto title loans. These groups provide small, short-term loans to borrowers who otherwise would be payday or pawn-loan customers *but* with lower interest rates and fees.

For some of these groups, earnings are reinvested into their program for expansion and lending capital. Others have opted for a for-profit model with a social mission to give back 20 percent of their profits to support financial-literacy and counseling programs.

One particular non-profit group provides the capitalization and oversight and then collaborates with local employers to give access to these lower interest loans to their employees. Another non-profit group requires borrowers to take a small number of hours of financial counseling before obtaining a loan. Overall, these alternatives to high-cost lending products have begun to emerge in the consumer loan market.

Type of Customer

These alternatives to high-cost lending loans are offered in a non-traditional way, with no storefronts. Their preferred method is either through the internet or for some, the borrowers' employer. One of the differences between them and a traditional small-dollar loan is the loan is payable over an installment period.

For borrowers who use their employer, the borrower applies for a loan and then the employer verifies the employment. Pending employment verification (24-48 hours), and borrower's signature, the loan proceeds are deposited into the borrower's checking account in two business days. Once the loan is approved, the lender usually sends the employee's loan repayment schedule so that employer can set up an automatic payroll deduction.

Borrowers need an active bank account. Borrowers have anywhere from average to poor credit scores and may choose these loans as an alternative to high-cost lending loans.

Typical Rates

While some of these lenders have a 342-E license, others have opted for a CAB license. Please refer to their respective sections in this report for maximum rates.

However, some of the lenders collaborate with employers to provide alternative loan products to employees at rates of 18% with the payback period being twelve months and a $20 charge for administrative fees.

Others within this category limit the loans to four equal installments, claim to have no hidden fees, and design their lending model to be fully amortizing.

Default

Borrowers are less likely to default since their employer typically automatically deducts their payment from their payroll.

Alternatives

Possible alternatives are pawn loans, credit card advances, and payday loans, which may offer higher interest rates than this category.

Alternatives to High-Cost Lending
Consumer Loans: Personal/ Unsecured Loans

The Texas Financial Education Endowment Fund Background

The Texas Financial Education Endowment Fund (TFEE) was developed under the authority of Chapter 393 of the Texas Finance Code during the 82nd Legislature. Section 393.628 of the Texas Finance Code provides that TFEE will be administered by the Finance Commission (FC) to support statewide financial capability and consumer credit building activities and programs. The Office of Consumer Credit Commissioner administers the grant on behalf of the Finance Commission.

Section 393.628 of the Texas Finance Code states: [*TEXAS FINANCIAL EDUCATION ENDOWMENT. (a) As part of the licensing fee and procedures described under this subchapter, each credit access business or license holder shall pay to the commissioner an annual assessment to improve consumer credit, financial education, and asset-building opportunities in this state*.] Financial Capability is a set of consumer behaviors that lead to long-term, tangible improvements in financial health.

In December 2013, thirty-three applicants applied for the Texas Education Endowment Fund. The requests were for over $1.1 million in funds. A total of $250,000 was awarded during the funding period with amounts ranging between $5,000 and $40,000. The Finance Commission selected eight recipients to receive grant funding for the first TFEE cycle. Out of the eight, three recipients focused on K-12 financial education and capability, two recipients focused on financial coaching, and the last three dedicated the resources to adult financial education and capability. Below are highlights from two TFEE recipients that employed programs to address alternatives to high-cost lending.

Program Highlights

The Society of St. Vincent de Paul – Diocesan Council of Austin (SDVP), dedicated its funds received from TFEE to establish a loan conversion program as an alternative to high-cost lending to individuals with current payday loans. The goal being to pay off the high interest payday loan and have the borrower transfer the new loan to a cooperating credit union as a “share-secured” to be repaid over a 6-24 month period at an annual simple interest rate of the credit union’s loan rate. This program has a financial literacy component that has real-life and sustainable impact on families. It launched in February 2014 the Loan Conversion Program, offering alternative financing to consumers who currently had payday loans. Part of this conversion involves efforts to educate clients on a very basic level.

Foundation Communities dedicated resources to establish a coaching program in Central Texas. Foundation Communities set a goal to provide 800 low-income clients the opportunity to work one-on-one with a trained financial coach to better manage their finances. Funds from the endowment were used to administer the program and coordinate the selection and training of volunteer financial coaches. Once trained, these coaches work one-on-one with residents and community members, empowering them to achieve financial stability and long-term success. Coaches provide clients with the tools to create household budgets, save money over time, reduce debt and improve credit scores.

Program Results

SVDP reports their most successful activity is Financial Literacy classes. SVDP clients are families who sought outside help after becoming quickly overwhelmed by debt, including payday loan(s). SVDP reports that financial literacy classes have been extremely effective in modifying consumer behaviors. In addition, SVDP staff state that the ongoing mentoring, and checking-in of clients every 6-8 weeks while they are in the program has been highly effective.

SVDP Predatory Loan Conversion Program (PLCP) has achieved ongoing growth by assisting thirty-five families with the conversion of 52 high interest rate loans since the inception of the program in 2014. A key achievement reported was streamlining the online loan application and funding process with a credit union, which allowed for broader geographic service areas. Once approved, the loan is transferred to a cooperating credit union as a share-secured loan to be repaid over a 6-24 month period at a simple interest rate, currently 2.2%. Although the program has been largely successful, there have been three defaults over the past six months, bringing the default rate to 6.2%, which is under the goal of 10%.

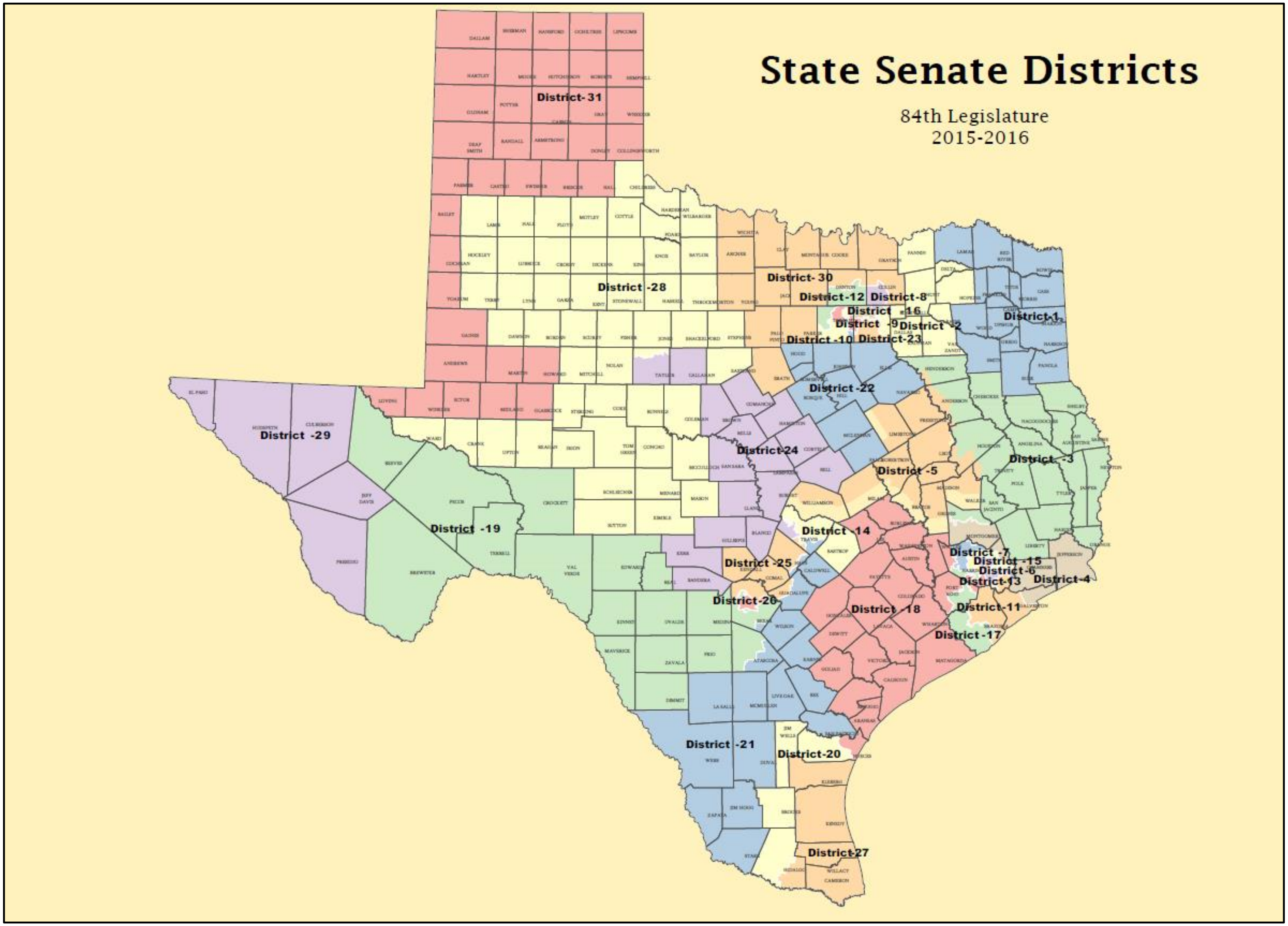
FC reports that their coaching program provides low-income individuals the opportunity to work one-on-one with a trained financial coach who provides resources to help better manage finances and reach self-defined financial goals. The individual may meet in-person with a coach for up to eight one-hour sessions; however, staff's experience has been that most concerns are addressed in three to four sessions. The coaching program is free of charge to individuals with a household income less than $50,000.

During the January – June 2015 reporting period, 27 new volunteers were interviewed and trained to be financial coaches. They, alongside existing volunteers, achieved the following: 304 clients participated in this reporting period; 60% established or contributed to savings; 65% improved credit scores; and 65% reduced debt.

Distribution of Licensed Locations by Senate District

Senate District	342-F	342-E	371	A6	393	Total
1	126	25	52	0	129	332
2	40	22	41	0	79	182
3	92	12	47	0	80	231
4	32	8	32	1	57	130
5	70	7	34	0	65	176
6	65	33	76	0	113	287
7	13	7	29	1	61	111
8	9	15	8	5	53	90
9	23	11	52	1	104	191
10	31	9	38	1	97	176
11	47	5	47	1	87	187
12	12	7	23	1	66	109
13	29	17	47	0	80	173
14	25	28	40	1	81	175
15	32	20	54	0	89	195
16	15	42	32	7	104	200
17	21	18	35	0	65	139
18	89	8	32	0	50	179
19	147	22	39	0	66	274
20	169	20	62	0	106	357
21	172	29	63	2	70	336
22	79	12	46	0	85	222
23	45	28	54	0	82	209
24	65	13	53	0	66	197
25	29	15	27	2	60	133
26	103	26	64	3	105	301
27	216	31	48	0	85	380
28	107	20	37	0	67	231
29	109	35	44	1	115	304
30	75	16	47	0	72	210
31	89	13	36	0	60	198
Total	**2,176**	**574**	**1,339**	**27**	**2,499**	**6,615**

The number of licensed locations with the primary business designation under the referenced Texas Finance Code Chapter in each Senate District. Ordered from left to right: Small Consumer Loans (342-F), Personal Installment Loans (342-E), Pawn Loans (371), Home Equity Loans (A6), Credit Access Businesses (393). Data as of 11/02/2015.



State Senate Districts
84th Legislature
2015-2016
District- 31
District -28
District -29
District -19
District- 30
District -12
District -8
District -16
District -9
District -2
District -1
District -10
District -23
District -22
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District -27