Mayor Parker announces proposed regulations for payday loan lending

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HOUSTON -

Houston Mayor Annise Parker has unveiled a package of proposed payday lending regulations to help protect consumers.

Under current Texas law, there is no limit to the fees that payday lenders and auto title businesses can charge and no limit on the number of times they can charge high-fees. Often borrowers get trapped in a cycle of debt where they are never able to pay down the loan.

Mayor Parker's plan establishes minimum business practices for payday lending institutions and mirrors ordinances previously adopted in Austin, Dallas, El Paso, San Antonio and several smaller Texas cities.
"I had initially favored a Houston-specific measure, but decided that joining with other Texas cities in a united front on this issue is the best way to send a strong message to the Texas legislature," said Mayor Parker. "Lenders deserve to make a profit on their investments, but not by charging astronomical interest rates to desperate consumers who have nowhere else to turn for emergency financial assistance. The statewide model I am recommending for approval by Houston City Council achieves this balance."

While making the announcement at Houston city hall on Friday, the mayor was surrounded by a broad coalition of community leaders who say they are concerned that these loans keep the most vulnerable trapped in a cycle of poverty.

"United Way and its partners have heard story after story of pay day loans obtained in an emergency that create long term financial setbacks for these struggling families," said Anna Babin, President of the United Way of Greater Houston.

Houston's proposed ordinance would:

- Require payday loan and auto title loan businesses to register with the city annually.
- Limit payday loans to 20 percent of the borrower's gross monthly income.
- Limit auto title loans to three percent of the borrower's gross annual income or 70 percent of the vehicle value, whichever is less.
- Limit single payment loans to no more than three refinances or rollovers and installment loans to no more than four installments.
- Require each installment, refinance, or rollover payment to reduce the total principal owed by at least 25 percent.
- Define a rollover or renewal as a loan within seven days of the previous loan
- Require loan agreements to be written in easy-to-understand language.
- Require contact information for nonprofit's offering financial literacy and cash assistance.

However, some are concerned the proposed ordinance is too harsh and will negatively impact people who rely on pay day loans in an emergency.

"The reality is some people have to go to pay day loans because they aren't able to go to the banks," said Rev. Cornell Lockett, with St. James United Methodist Church. "It's a choice or a decision that you have to make sometimes in order to make ends meet.

Mayor Parker said she believes there is a reasonable way for pay day lender can operate legally but fairly in the community.

Houston City Council will be briefed on the mayor's proposal on Dec. 4. The first opportunity for a vote will be on Dec.11.