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Legal loan sharks: Predatory lenders lurk just around the corner. (But help may be on the way.)

Beware: Predatory lenders lurk just around the corner. (But help may be on the way.)

HOUSTON CHRONICLE

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Opinion

Talk about a payday ...

It's a safe guess that in a strip center near you, there glows the backlit sign of a business offering easy, speedy, short-term loans. Payday lending, as the dubious enterprise is known, is one of the fastest-growing businesses in Texas, with more outlets than McDonald's and Whataburger combined.

And oh, what a profit margin. Because of a legal loophole, these predatory lenders are free to charge interest rates that banks and credit unions can't dream

of, rates that would make [Tony Soprano](#) blush. These days, a middling credit card charges an annual percentage rate (APR) around 15 percent; a credit card for people with lousy credit, 25 percent. But an average payday loan clocks in at 300 percent. In Texas, the average payday borrower takes out a \$300 loan and pays back \$840.

And that's only the average. Sometimes the APR hits 500 percent; sometimes it goes even higher. And car-title loans, close kin to payday loans, are even more ruinous — the financial equivalent of crack. Both nasty pieces of business encourage a small, short-term cash-flow problem — a medical bill, an unexpected car repair — to spiral into a full-blown crisis, forcing families into bankruptcy, or to seek help from nonprofit groups and churches.

Interest rates that high shouldn't be legal in Texas.

In the Texas Legislature, several identical bills have been introduced to close the loophole and limit payday lenders to less crippling rates — as much as 135 percent APR. The idea unites politicians who usually are worlds apart: Supporters range from Rep. [Tom Craddick](#), a pro-business Republican from Midland, to Rep. [Eddie Rodriguez](#), an Austin Democrat who prides himself on being an advocate for consumers and the poor.

Outside the Legislature, just as broad a coalition supports that change: among its fans are AARP Texas; the [United Way](#); Goodwill; the Texas Catholic Conference; the [Texas Baptist Christian Life Commission](#); and [Texas Appleseed](#), a public-interest law center. City councils from San Antonio to Lubbock have adopted resolutions urging the Legislature to close the loophole. Nationally, even the [Pentagon](#) has tried to fight payday loans; because they wreak so much havoc on military families, they're a defense issue.

But will Texas take action? Maybe, maybe not. Payday lenders support a powerful army of lobbyists — "It's like a full-employment act here in Austin," says one observer — and in the Legislature's last session, those lobbyists managed to block similar legislation before it ever reached the floor.

This time around, the industry shills are already busily claiming that really, those super-high-interest loans aren't predatory. The spokespeople say that payday loans actually help the cash-strapped, that they make credit available to people who couldn't otherwise get it, that their high APRs are justified by their high default rate.

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That garbage is eerily similar to the stuff we heard from another set of predatory lenders: the ones who brought us the housing crisis.

Besides, it is possible for payday lenders' customers to find much better alternatives. The [Center for Responsible Lending](#) suggests taking out loans from banks or credit unions; working out payment deals with creditors; asking your employer for an advance; turning to church emergency-assistance programs; or even getting a cash advance on a credit card. (Yes, a cash advance's 30 percent APR is high - but that's still ten times better than a payday loan.)

Payday loans are wrecking lives. And Texans don't need them.

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