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Let's help the vulnerable by regulating payday loans

Let's help vulnerable by regulating payday loans LORI HENNING

, HOUSTON CHRONICLE

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Opinion



Who hasn't heard of Goodwill Industries? Most communities have at least one Goodwill. Most people know they can often find a good bargain in one of Goodwill's local retail stores. Some people know that the proceeds from the stores support the mission of Goodwill, which is to help people with disabilities and other barriers to employment get the training they need to go to work and become self-sufficient. So what happens when public policy (or the lack of it) negatively affects that mission?

Several years ago Goodwill staff began hearing stories

from their employees and the people they serve. The stories sounded very similar: A person obtains a payday or auto-title loan, struggles to repay it, incurs huge fees that often exceed 500 percent of the loan, and gets caught in a vicious cycle of debt.

Goodwill staff found themselves providing emergency financial counseling instead of traditional Goodwill services intended to strengthen an individual's job skills. The situation worsened each year with more people dropping out of Goodwill's education and training programs due to overwhelming debt and the negative effects of such debt. Years passed and nothing was done to regulate this industry or protect consumers.

Since 2005, the number of payday and auto title lenders in Texas has tripled. Texas is now one of the few states without regulation and payday/auto-title businesses have flocked to our state: In the U.S., roughly 60 percent of *all* payday and auto-title loans are generated in Texas.

This legislative session, state Sen. Wendy Davis, D-Fort Worth, has filed Senate Bill 1862 and state Rep. Vicki Truitt, R-Southlake, has filed House Bills 2592, 2593 and 2594 which will, for the first time, license and regulate the payday and auto-title lending business. If passed, these bills will:

Require brokers to follow federal law regarding interest rates to the military and their families; these laws have been circumvented in communities across Texas with military installations.

Require that borrowers be provided with contact information for the entity that will regulate the industry, the Office of Consumer Credit Commission, in the event they have a complaint or want to report a violation. There has been no one to complain to in the past as there has been

Allow borrowers to make partial payments toward principal; partial payments against principal have not been allowed.

Require loan brokers to follow laws related to collection practices to stop dangerous and unethical collection practices engaged in by this industry.

Require brokers to return the auto title to the borrower after the loan is paid in full; broker/lenders have not always done so in the past.

End the practice of payday lenders marketing loans outside state MHMR (Mental Health and

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Mental Retardation) facilities, a practice that preys on our most vulnerable citizens.

The bills have been filed and heard in committee and may soon be heard by the full Senate and House, but their passage even now is not a foregone conclusion. A recent poll conducted by the American Association of Retired Persons found that almost 90 percent of those who responded indicated that these exorbitant interest rates and related fees should be stopped, and 64 percent supported licensing and regulation. If many Texans support regulation and limits on fees and interest, why has regulation of an industry that many feel is past due for oversight by the state been so difficult to achieve?

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