Rein in unscrupulous lending

Several steps must be taken to fix problem of costly lending practices that can ruin lives.

The heat is on Texas' payday lenders again, and it should be. As Lise Olsen reported in Tuesday's Chronicle, each day too many Texas residents lose their vehicles or pay usurious charges for quick access to short-term cash ("Time to put payday lenders in check, lawmakers suggest," Page A1, Nov. 27).

In an economy like the current one, it's paycheck to paycheck for too many struggling Texans, and the payday lenders may be the last stop on the block. These folks shouldn't be getting fleeced in their hour of need. It's just wrong.

The state's 3,300 payday and auto title loan vendors service the truly desperate among us with often frantic needs - overdue rent, utilities about to be cut off, no food on the table and other tough circumstances. State lawmakers have fretted for a while about doing something to better regulate these often predatory businesses, and things may have gotten bad enough to take action.

Some of the personal stories about payday loans are positively gut-wrenching. As Olsen reported, in the first half of 2012 alone more than 17,000 takers for auto title loans ended up
losing their vehicles after they failed to make good on their notes. How many of these folks ended up stranded, out of the workplace and seeking government benefits as a result? Or worse, resorted to acts of violence or criminality?

We hope the Legislature will rein in the more unscrupulous aspects of this business. But that's just one step that will be necessary to fix the problem. We can identify at least two others that also must be taken. When we read of the folly of folks taking out loans for less than a thousand dollars that end up costing them their truck or thousands more in never-ending interest payments, we have to wonder: What has happened to financial education in Texas public schools?

Skills like planning and following a household budget, understanding the cost of money in a lending situation, the wise use of credit and the like don't seem to be effectively taught any more.

There's only so much that regulation can do to protect the ignorant from financial harm. At some point, people have to take responsibility for their actions. We can all agree that teaching our children the financial basics isn't an elective course. It's survival in a consumption-driven culture such as this one. Let's make it a priority, using the example of payday lending problems as the motivation.

Another useful step would be to put banking services more within reach of those on the financial margins. Having a bank account, making regular deposits and bill payments, gaining access to credit under more reasonable terms are all things middle class people take for granted.

Let's extend them to those less well off.

The holiday season brings temptations to many to overspend in order to meet family expectations for gift-giving. It's as good a time as any for folks to be forewarned about the potential risks of borrowing from payday lenders.

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