One of the principal products of hard times is the myriad offers to make things better for a price.

The financial desperation hard times bring leads many consumers into the clutches of lenders who offer loans that carry interest rates as high as 500 percent.

At those rates, a relatively small loan turns into a big one in short order. During the 2011 session, Texas legislators heard testimony that a borrower would have to pay back $850 on a $300 loan from so-called payday lenders or businesses that loan money against car titles.

It was a story that legislators had heard before, but the lending lobby previously had been successful at beating back even minimal attempts at regulation. The industry has consistently argued that as lenders of last resort, high interest rates make it possible to loan money to people who don't have access to banks and credit unions.

Legislators who are the recipients of millions in campaign contributions from the industry embraced the lender of last resort mantra in the past, but the 2011 session was a little different.

Although consumer advocates didn't get the cap on interest rates they sought, legislators did adopt regulations curtailing loan abuses associated with short-term, high-interest lenders.

Laws that took effect this week require state licensing of short-term lending businesses. Short-term lenders are required to post prominently a schedule of fees.

Eventually, lenders will be required to disclose information about the cost of the transaction — including fees and interest if payment is not made in full.

It wasn't what consumer advocates or even critics of the short-term loan industry — including former State House Speaker Tom Craddick, R-Midland — sought, but it is a start.

The modest reforms that survived the 2011 session despite the sums of money spent in opposition should be considered a warning shot.

"I leave the session disappointed that we cannot do more," said Sen. John Carona, R-Dallas, chairman of the Senate Business and Commerce Committee, warning that the 2013 session might finally see the passage of more rigorous regulation.

There was indication this week that the industry is listening.
"You want people to meet certain standards to operate these businesses," Rob Norcross, a spokesman for Consumer Service Alliance of Texas, which represents short-term lenders, told the Texas Tribune. "Having uniformity and transparency in cost disclosure is probably good for competition, which will be good for customers."

In describing demands short-term loans placed on Catholic charities, the Most Rev. Joe Vásquez, bishop of the Austin Diocese, told Carona's committee in February 2011: "While we are providing $300 cash assistance to a family for food and utilities, that same family has payday loan debt of an average of $455. In effect, our assistance was helping a client pay for a need such as electricity or water, so that our client could continue to pay off a payday lender. Our charitable dollars are in fact funding the profits of payday lenders rather than helping the poor achieve self-sufficiency."

Others argued taxpayer-funded assistance was in essence subsidizing the short-term loan industry, which has enjoyed tremendous growth. In 2006, there were 1,279 registered sites; by 2010, that number had jumped to 3,500. A loophole in a law passed in 1997 allowed short-term lenders to operate with no limits on interest rates.

Short-term lenders — including pawn shops — have also been targeted by municipal governments, including city councils in Austin, Dallas and Fort Worth.

Frustrated by legislative inability to regulate industry practices, Austin City Council Member Bill Spelman last August authored an ordinance to regulate lending practices that is now in effect. Another ordinance that uses city zoning power to corral short-term lenders was approved but is not yet in effect.

Though the state laws placing some regulation on short-term lenders are nowhere near ideal, they show a crack in the political protection that short-term lenders have bought with campaign cash.

The little guys haven't won yet, but they got in a lick or two.