Report shows need for loan regulations

San Antonio Express-News Editorial Board

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Until the Legislature reins in payday lenders, cities should take the type of actions Councilman Diego Bernal (left) is advocating.

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An estimated 8 percent of adults in Texas have taken a payday loan in the last five years, according to a recently released report. That is just one of the many troubling findings in a Pew Charitable Trusts study that reiterates the reasons the city of San Antonio should move forward with plans to enhance the regulation of predatory lenders.

The Pew study found Texas was one of 28 states with the least regulation when it comes to payday loans. Especially troubling is the finding that the majority of the borrowers are using these types of high-interest loans to pay for everyday living expenses.

Borrowers spend $7.4 billion per year on payday loans in the U.S. and pay an average of $520 in interest for eight $375 loans or extensions.

These types of high-interest loans are marketed as two-week loans to help consumers during brief, unexpected emergencies when they find themselves in a financial crunch. The truth is most of the debts run five months and are not used for what most of us would consider to be unexpected expenses. Many of the loans are for utilities, credit card bills or to pay the mortgage or rent.
Many who take out these types of loans often end up in a cycle of debt, having to refinance because they can't pay off the initial loans in time.

Next month, City Council will consider an ordinance that sets some long overdue limits on payday loans in our community. The proposal, spearheaded by Councilman Diego Bernal, moves to limit payday loans to 20 percent of a borrower's gross monthly income and limits auto title loans to 3 percent of a borrower's income or 70 percent of the vehicle's value. Bernal would also like the ordinance to regulate the length of the loans and how payments are applied to the principal.

The Legislature needs to comprehensively address the lack of regulation over payday lenders in Texas. Until it does, cities should step up to help those on the financial edge.

Read more: http://www.mysanantonio.com/opinion/editorials/article/Report-shows-need-for-loan-regulations-3747394.php#ixzz22DY1kVH6