

The Perryman Group

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The Economic Consequences of Predatory Lending to Texas and the Brownsville-Harlingen Area

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Payday and auto title lending cause harms well beyond the extremely high interest associated with the loans. Such predatory loans increase financial distress for some of the most vulnerable populations and negatively affect the economy.

The high fees, short-term due dates, and harmful loan structures often cause families to become trapped in a cycle of debt. They frequently find themselves paying substantial amounts in rollover and installment fees without coming closer to retiring the original loan. Many borrowers eventually default due to the unsustainable debt trap. Defaults seriously damage credit, not only making it more difficult to obtain low-cost loans in the future, but also impairing the ability of the affected Texans to find a job or affordable housing, as employers and landlords often make decisions based on credit history.

In addition to losses from high loan fees and an ongoing cycle of debt, many auto title loan borrowers ultimately have their

cars repossessed, in some cases after paying more in fees than the original loan amount. Losing a car is an added drain on household budgets, making it hard to get to work and leading to decreased consumer spending. The economy as a whole suffers as predatory lending takes resources from our local communities and businesses and creates added strain on social services from families caught in a cycle of debt.

The Perryman Group estimates that payday and auto title loans have caused a decrease in business activity in Texas of an estimated **-\$1.6 billion** in annual gross product and **-21,304** job-years (including multiplier effects) over the last 10 years. (A job-year is one person working for one year, though it could be multiple individuals working partial years.) For the Brownsville-Harlingen metropolitan area, losses include an estimated **-\$56.8 million** in annual gross product and **-802.8** job-years.

Economic Harms of Predatory Lending

Cumulative Losses 2012-2021

Component	Total Expenditures	Gross Product	Personal Income	Job Years*
State of Texas				
Payday Loans	-\$3,271.4 m	-\$1,212.5 m	-\$749.0 m	-15,948.2
Auto Title Loans	-\$1,098.7 m	-\$407.2 m	-\$251.6 m	-5,356.3
Total	-\$4,370.2 m	-\$1,619.8 m	-\$1,000.6 m	-21,304.5
Brownsville-Harlingen				
Payday Loans	-\$109.4 m	-\$41.8 m	-\$26.5 m	-591.0
Auto Title Loans	-\$39.2 m	-\$15.0 m	-\$9.5 m	-211.8
Total	-\$148.6 m	-\$56.8 m	-\$35.9 m	-802.8

Source: US Multi-Regional Impact Assessment System, The Perryman Group
 Notes: Monetary values given in millions of 2021 US dollars. A job-year is equivalent to one person working for one year. Components may not sum due to rounding. Based on Texas Office of Consumer Credit Commissioner data related to loans, fees, and repossessions and The Perryman Group's estimates of other related losses as well as multiplier effects.

The Estimated Ten-Year Cumulative (2012-2021) Total Impact Associated with Predatory Lending Loans on Business Activity in Texas

Results by Industry

Industry	Total Expenditures	Gross Product	Personal Income	Job Years*
Agriculture	-\$63.9 m	-\$18.6 m	-\$12.2 m	-192.7
Mining	-\$54.6 m	-\$12.8 m	-\$7.4 m	-44.0
Utilities	-\$242.3 m	-\$54.4 m	-\$23.7 m	-103.7
Construction	-\$81.5 m	-\$41.8 m	-\$34.4 m	-486.3
Manufacturing	-\$401.5 m	-\$123.1 m	-\$68.6 m	-1,107.5
Wholesale Trade	-\$102.4 m	-\$69.3 m	-\$40.0 m	-456.6
Retail Trade*	-\$909.7 m	-\$686.9 m	-\$400.1 m	-12,212.0
Transportation & Warehousing	-\$95.4 m	-\$65.6 m	-\$43.4 m	-594.3
Information	-\$99.5 m	-\$61.5 m	-\$26.2 m	-236.6
Financial Activities*	-\$694.2 m	-\$116.4 m	-\$43.8 m	-462.8
Business Services	-\$132.4 m	-\$77.9 m	-\$63.6 m	-777.8
Health Services	-\$175.8 m	-\$124.6 m	-\$105.3 m	-1,749.3
Other Services	-\$1,317.0 m	-\$167.0 m	-\$131.9 m	-2,881.1
Total, All Industries	-\$4,370.2 m	-\$1,619.8 m	-\$1,000.6 m	-21,304.5

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Monetary values given in millions of 2021 US dollars. A job-year is equivalent to one person working for one year. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate.

The Estimated Ten-Year Cumulative (2012-2021) Total Impact Associated with Predatory Lending Loans on Business Activity in the Brownsville-Harlingen Area

Results by Industry

Industry	Total Expenditures	Gross Product	Personal Income	Job Years*
Agriculture	-\$1.1 m	-\$0.3 m	-\$0.2 m	-3.4
Mining	-\$0.3 m	-\$0.1 m	-\$0.0 m	-0.1
Utilities	-\$8.5 m	-\$1.9 m	-\$0.8 m	-3.6
Construction	-\$3.3 m	-\$1.7 m	-\$1.4 m	-19.7
Manufacturing	-\$9.7 m	-\$2.7 m	-\$1.5 m	-22.1
Wholesale Trade	-\$2.1 m	-\$1.4 m	-\$0.8 m	-9.5
Retail Trade*	-\$36.9 m	-\$27.9 m	-\$16.2 m	-495.4
Transportation & Warehousing	-\$3.5 m	-\$2.4 m	-\$1.6 m	-21.8
Information	-\$2.9 m	-\$1.8 m	-\$0.8 m	-6.9
Financial Activities*	-\$20.3 m	-\$2.3 m	-\$0.9 m	-9.8
Business Services	-\$4.6 m	-\$2.6 m	-\$2.2 m	-26.4
Health Services	-\$7.1 m	-\$5.1 m	-\$4.3 m	-71.0
Other Services	-\$48.3 m	-\$6.6 m	-\$5.2 m	-113.1
Total, All Industries	-\$148.6 m	-\$56.8 m	-\$35.9 m	-802.8

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Monetary values given in millions of 2021 US dollars. A job-year is equivalent to one person working for one year. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate.

METHODOLOGY

Any economic stimulus, whether positive or negative, generates multiplier effects throughout the economy. In this instance, The Perryman Group estimated net direct losses to the affected areas based on data related to loans, fees, and repossessions maintained by the Texas Office of Consumer Credit Commissioner and the extent to which they result in reduced spending. Multiplier effects were then quantified.

The Perryman Group's dynamic input-output assessment system (the US Multi-Regional Impact Assessment System) was developed by the firm about 40 years ago and has been consistently maintained and updated since that time. The model has been used in hundreds of analyses for clients ranging from major corporations

to government agencies and has been peer reviewed on multiple occasions. The impact system uses a variety of data (from surveys, industry information, and other sources) to describe the various goods and services (known as resources or inputs) required to produce another good/service. This process allows for estimation of the total economic impact (including direct, indirect (supply chain), and induced (payroll) effects) of the proposed development. The models used in the current analysis reflect the specific industrial composition and characteristics of the study areas.

Total economic effects are quantified for key measures of business activity:

Total expenditures (or total spending) measure the dollars changing hands as a

result of the economic stimulus.

Gross product (or output) is production of goods and services that will come about in the area as a result of the activity. This measure is parallel to the gross domestic product numbers commonly reported by various media outlets and is a subset of total expenditures.

Personal income is dollars that end up in the hands of people in the area; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included.

Job gains are expressed in this instance as job-years to reflect the cumulative nature of the predatory lending impacts.

Monetary values were quantified on a constant (2021) basis to eliminate the effects of inflation.

THE PERRYMAN GROUP



The Perryman Group is a focused team of analysts who know how to address complex economic information tasks and present our findings effectively.

Our in-house professionals bring expertise in **economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing**. Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively. We have considerable pride in what we do. Our enthusiasm is both unbridled and contagious; every day brings a new opportunity for us to tackle a different problem or create a product or service specifically tailored to our clients.

OUR SERVICES

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We have developed and continually maintain an extensive set of economic impact evaluation models that can be applied in a variety of contexts.

EXPERT TESTIMONY

We help clients analyze and communicate complex information in common-sense terms through comprehensive, objective analyses and clear, concise expert reports and presentations.

FORECASTING

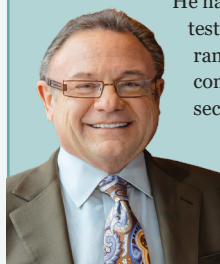
We are at the cutting edge of econometrics and other advanced statistical methods and have provided innovative approaches for many complex applications.

SPEECHES

Dr. Perryman addresses dozens of audiences throughout the world every year, catering to a wide variety of events.

M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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