



United Way of  
Central Texas



United Way of Greater Houston



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## **Texas Veterans Harmed by Payday and Auto Title Loans**

*45% of surveyed veterans used payday or auto title loans—six times the rate for Texans overall*

AUSTIN, Texas —Texas has the second largest veteran population in the country. Federal law has long protected active duty military and their spouses from predatory loans through the Military Lending Act, which caps all loans at 36 percent interest, including all fees, but the Act left out our veterans. In Texas, where the annual percentage rates for payday and auto title loans averaged between 209 percent and 530 percent in 2017 with no meaningful state consumer protections, the results have been devastating. An average \$500 payday loan costs \$1,200 or more to repay, one of the highest costs in the country.

A [new survey](#), conducted through a partnership of the United Way of Central Texas, Texas Appleseed, and United Way of Greater Houston, offers a snapshot of the impacts of payday and auto title lending on Texas veterans. The survey found that veterans get caught up in payday and auto title loans at much higher rates than the general population. Forty-five percent of the veterans surveyed indicated using a payday or auto title loan and 24 percent used the loans more than once per year, compared to 7 percent of adult Texans.

“Payday loans can be debilitating to military veterans who are often facing a variety of challenges that make falling victim to these predatory practices even easier,” said Cornelius Blackshear, manager of MISSION UNITED with United Way of Greater Houston. “Not only do payday and auto title loans cause immediate financial hardship, they stand in the way of access to needed housing and other financial benefits that may be available to veterans,” noted Blackshear.

Most veterans used payday and auto title loans to meet basic needs, and the majority were pulled into a long-term cycle of debt. Seventy-six percent of those who used payday or auto title loans struggled to repay the loans when they came due; 77 percent struggled to pay other bills because of the loans; and 37 percent were trapped in debt for more than six months.

“These uncapped loans are devastating for veterans,” said Stephanie O’Banion, president and CEO of the United Way of Central Texas. “Additionally, the survey revealed that taxpayer-funded public benefits are going straight to the pockets of these high cost lenders and not helping our veterans as they are intended.” Seventy-three percent of the surveyed veterans using payday or auto title loans received public benefits.

Veterans also faced high rates of illegal threats and harassment related to payments and collections of payday and auto title loans. Sixty-five percent of surveyed veterans who used the loans reported harassing phone calls, and 26 percent reported illegal threats of criminal charges.

“Using illegal criminal threats to collect a debt unconscionable,” said Ann Baddour, director of the Fair Financial Services Project at Texas Appleseed. “Knowing so many veterans face these illegal practices after the service they gave to our country adds to the urgency for state lawmakers act to make sure these practices stop,” said Baddour.

**State and Federal Policy Recommendations:**

1. Expand federal Military Lending Act protections to veterans, so they are protected by the national 36 percent all-inclusive rate cap.
2. Ensure payday and auto title loans are affordable to borrowers through state law changes and through opposition to the [Consumer Financial Protection Bureau's proposal](#) to remove soon to be implemented commonsense affordability requirements.
3. Ensure payday and auto title businesses stop abusing the criminal justice system; and
4. Work with our financial service providers to expand access to fair loans for Texas veterans.

Find our study here: [Thank You for Your Service: The Effects of Payday and Auto Title Loans on Texas Veterans.](#)

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**About United Way of Central Texas**

United Way of Central Texas has been efficiently mobilizing resources to advance the common good in our community since its founding in 1951. In order to improve lives in Central Texas, we focus on the four building blocks of life: Education, Financial Stability, Health and Basic Needs. Through initiatives and investments guided by community volunteers, we advance the common good in conjunction with its many partner agencies and community impact partners. For more information, visit [www.uwct.org](http://www.uwct.org)

**About Texas Appleseed**

Texas Appleseed is a public interest justice center that works to change unjust laws and policies that prevent Texans from realizing their full potential. Our nonprofit conducts data-driven research that uncovers inequity in laws and policies and identifies solutions for lasting, concrete change. For more information, visit [www.TexasAppleseed.org](http://www.TexasAppleseed.org).

**About United Way of Greater Houston**

For more than 95 years, United Way of Greater Houston has been a leader and trusted partner in improving lives, tackling key community social issues, and making a lasting difference. Last year, United Way of Greater Houston touched the lives of nearly 2 million of our neighbors in the Bay Area and in Fort Bend, Harris, Montgomery, and Waller counties. United Way focuses on strengthening our community by developing children and youth to their full potential, creating strong families and safe neighborhoods, sustaining senior independence and rebuilding people’s lives in times of crisis. United Way of Greater Houston is the best way to make the biggest difference in our community. For more information, please visit, [www.unitedwayhouston.org](http://www.unitedwayhouston.org).