

# City should keep rules on payday, title lenders

**By Larry Garcia**  
*Guest columnist*

In an economy where the middle class families have lost ground, a by-product of the great recession, countless family financial emergencies abound these days. Often times the only difference of a family being poor, or even homeless, is a single paycheck.

Many a family's life routine depends entirely on the next paycheck, and any unexpected event that demands a piece of that paycheck disrupts and stresses their fragile finances. A car breakdown, a sick child, a medical emergency, a plumbing problem, a rent increase, an unexpected bill — anything requiring extra cash beyond the reach of the weekly paycheck, can result in a family catastrophe.

When these unforeseen circumstances arise, families are financially vulnerable, and an easy target for deceptive advertising, and convenience.

Opportunistic lenders use hope as a powerful tool to ensnare vulnerable families. Credit access businesses, or CABs, conveniently offer quick and easy payday loans and auto title loans.

Giving false hope to resolve a dire situation is the CAB lenders' method of placing their loan products.

They demonstrate this by advertising quick and easy cash.

They qualify borrowers who cannot afford to repay the payday or auto title loans in one or two repayment periods, and can only repay after many refinances, each time paying excessive fees.

Without a full understanding of today's complex and complicated financial system, many families use the easy loan path, because of quick and easy access, and low or no documentation. The loans are made by taking advantage of the vulnerable position of financially distressed individuals, the complexity of the financial system, and the hope that is human nature.

Driving down Dyer, Alameda, Paisano, Montana, or even Mesa, concentrations of CAB lenders are found — so many that you only need to drive a few blocks to find the next and the next, sometimes right across the street from each, other or even in the same shopping center.

The El Paso community has many sources of emergency financial assistance and cash grants for paying housing expenses, utilities, food, medications, and other basic living expenses.

But unfortunately, instead of searching for alternatives, due to the lack of time, embarrassment, not knowing about other resources, or simply to avoid realities, families do not take advantage of these resources.

They circumvent safeguards built into the mainstream financial system to keep consumers from getting into further financial problems.

The payday loans and auto title loans with quick and easy terms offer false hope for a family to recover from their emergency.

Families soon realize they are unable to recover from their emergency, repay the loan and repay the high fees within a two-

week period.

Approximately 60 percent of the time, borrowers can only repay the fee, and are trapped in a long-term vicious cycle of repayment. The loan is refinanced or renewed with high fees, over and over again — always aggravating the situation.

According to the Texas Office of Consumer Credit Commission 2012 CAB annual report, in El Paso, 37,667 consumers borrowed 165,646 payday loans and paid \$25,976,203 in fees to borrow an average payday loan of \$520.

In addition, 12,123 El Paso consumers borrowed 43,692 auto title loans and paid \$8,424,642 in fees for an average auto title loan of \$987.

Also, about 64 El Pasoans a month had their car repossessed by an auto title loan company — the car which is the primary means of getting to work or school. These loans and the high fees only serve as a Band-Aid to financial emergencies.

City Council took a socially and morally responsible step when it enacted the CAB ordinance last year, and must continue to be responsible by allowing it to work. This ordinance does not eliminate these types of loans; it does not regulate the high fees; and it maintains their availability because there is a demand. But what it does is to assure lenders make the loans responsibly and make loans that borrowers can afford to repay without getting into a worse financial situation.

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