

HB 3292 Would be Harmful to Texans

Texas should NOT re-open the Sale-leaseback High-cost Lending Loophole

What is sale-leaseback?

Sale-leaseback is a scheme to evade state rate and fee caps for consumer loans. Before state law was changed in 2001, it was a way to offer easy money to desperate Texans at effective interest rates exceeding 500% APR. Under the scheme, a borrower would “sell” an item, like a TV, for a set amount of money, say \$200, and give the lender a check written out for \$200 to hold for future cashing.

Every two weeks, the borrower would return and pay a “lease fee”, often of 30% or more of the loan amount (\$60 in this case). Depending on how long it took the borrower to come up with the full \$200, the \$60 bi-weekly payment could go on and on—creating a cycle of debt much like the payday and auto title loan cycle of debt. In the end, a \$200 cash advance under the sale-leaseback scheme could cost \$1,000 or more to repay.

Talking Points:

- Due to problems and abusive charges in the sale-leaseback market, the Texas Legislature decided, in 2001, to define sale-leaseback transactions as loans under Texas consumer credit laws, requiring. Since that law change, problems in the market have been resolved.
- High-cost payday and auto title lending is already a problem in Texas. Opening up a new avenue for uncapped loans with no regulatory oversight will cause even further harms.
- When sale-leaseback was operating outside of our lending laws, before the 2001 law change, these transactions could cost 5 times the amount advanced or more to repay, based on a [report by the Senate Research Organization](#).
- The bill would remove prohibitions from threatening or filing criminal charges for sale-leaseback defaults, creating even more debtors’ prisons in Texas. No Texan should face criminal charges for defaulting on a loan.
- The Military Lending Act only covers loans targeting our troops. By taking sale-leaseback out of the definition of a loan, a new predatory quick cash product evading the Military Lending Act would be created, putting our troops and military families at financial risk and at risk of exploitation.
- Texas veterans are already caught in high-cost payday and auto title loans at rates higher than the general population. A [recent survey](#) found that veterans were over 6 times more likely than the general population to get caught up on those high-cost loans. We don’t need new high-cost lending products targeting our veterans.
- HB 3292 undermines a fair playing field in our markets, giving a long-regulated product a pass on state oversight and fair standards.

HB 3292 is a dangerous bill—opening the door to new unregulated high-cost cash advances. Texas needs more fair loans, not more schemes to evade our state consumer lending laws.