



CSSB 1862 CLOSES CSO LOOPHOLE, TAKES STEP FORWARD IN PAYDAY AND AUTO TITLE LENDING REFORM IN TEXAS

C SSB 1862 (Davis) is a serious attempt to address a large and growing problem in Texas: unregulated and unlicensed payday and auto title lending that takes advantage of the Credit Services Organization (CSO) loophole. CPPP generally supports this legislation and will work with the House and the Senate to craft the best public policy for the people of Texas. CPPP recommends several important issues be addressed in this legislation before final passage.

- **The Texas Legislature should authorize the Finance Commission to establish guidelines for reasonable limitations on amount and frequency of fees charged to the consumer.**
- **The first loan payment due should surpass the borrower's first "payday" after loan origination.**
- **A more robust and integrated financial education platform is needed to address subprime consumer credit scores and access in Texas.**

Recommendations to Improve CSSB 1862

- The Finance Commission should establish reasonable fees to be charged to Texas consumers.
- To address the cycle of debt, we need a clearer way of determining "hands off" to a borrower in distress. One method could relate to a portion of original principal paid by the borrower.
- The Legislature needs to require establishing a (minimum) principal paydown provision (10-25%) for each payment.
- The immediate next payday is too soon for many working Texans. We recommend that the first payment due skip the next immediate payday and be a minimum of 17 days. For example, if a consumer takes out a loan on April 21st, the first payment due would not be due until May 15.