

## Frequently Asked Questions

Q: Why does the City have this ordinance? Answer: The City of Austin adopted this ordinance in effort to reduce abusive and predatory lending practices.

Q: What does the ordinance require? Answer: It requires pay lenders and auto title lenders to structure the loans in a way that limits the number loan renewals and refinances, requires verification of income, and establishes requirements that may better help to determine a borrower's ability to pay:

- A payday loan cannot exceed 20 percent of the consumer's gross monthly income.
- A vehicle title loan cannot exceed 3 percent of the consumer's gross annual income or 70 percent of the retail value of the vehicle, whichever is less.
- Loans cannot be refinanced or renewed more than three times.
- Lenders cannot refinance or rollover loans more than three times.

Q: What is the credit access business ordinance? Answer: It is the ordinance that establishes requirements and restrictions that govern payday lenders and auto title lenders. A credit access business is an auto title lender or payday lender.

Q: How does the ordinance protect consumers? An example of a provision that may protect consumers is the requirement that payday and auto title lenders review consumer income information and follow loans restrictions. For example, the restriction that limits the number of times that a loan can be rolled over (the ordinance limits the renewal/refinance to three times) has the potential to affect the cost of the loan for a consumer. Loans that do not have limits on the number of rollovers and that are extended and renewed without limit, have potential to significantly increase cost to the consumer.

Q: Does the ordinance limit the interest or fees that business can charge? Answer: No. The City ordinance does not limit the **fees** or **interest** that the payday lender or auto title lender can charge.

Q: Does the ordinance limit the term or length of time for a loan? Answer: No. City ordinance does not set a term (limits on the length of time) for a payday or auto title loan. For information on the state law(s) that may limit the term (the length of a loan) for a credit access business, contact the Office of Consumer Credit Commissioner at: <http://www.occc.state.tx.us/> or call 800.538.1579.

Q: How many pay day lenders and auto title lenders are there? Answer: There are more than 3100 active pay lenders across the state of Texas.

Q: Do all cities in the state of Texas have a credit access business ordinance? Answer: No. At this time there are at least 20 cities across the state of Texas that have adopted a credit access business ordinance or a zoning ordinance(s). These ordinances are intended to protect consumers<sup>1</sup>. The number of cities with these ordinances has been increasing each year.

Q: What types of businesses are covered by the ordinance? Answer: Businesses that offer payday loans and auto title loans.

Q: What types of loans are covered? Answer: The auto title loans and payday loans. A title loan is secured using a clear vehicle title loan. A payday loan is a cash advance that may be made in exchange for a personal check or authorization to debit a deposit account and the amount of the check or authorized debit, equals the amount of the advance plus a fee.

Q: What is the lender required to do? Answer: The lender must follow requirements of the ordinance, including but not limited to providing information to the consumer and registering with the City.

Q: What if I already have a payday loan or auto title loan and am finding it hard to pay the loan? Answer: If a consumer has taken out a loan is unable to pay, the consumer should contact the business that issued the loan. The consumer may also contact City staff who may refer the consumer to nonprofit organizations that may assist consumers in paying off payday and auto title loans.

Q: What if I need a short term loan? Answer: Consider alternatives to high cost loans. Consider your bank or credit union. Consider the alternatives resources that may provide financial assistance at: [Financial Education and Assistance Resources](#). Know your rights and know the resources that may be available to you.

Q: What if my lender violates the ordinance? Answer: City of Austin will investigate complaints and will determine if a violation has occurred. If a business violates the ordinance the business may be given opportunity to correct the noncompliance, the business may be referred to City prosecutor and the business may be required to pay a fine(s). Know your rights and know the resources that may be available to you.

Q: Are there alternatives to payday loans or auto title loans? Answer: There are financial assistance and financial education resource referrals available at: [Financial Education and Assistance Resources](#). Contact the City staff if there are questions, at: CABCommunications.

Q: What should do if I need a loan? First consider alternatives to any high interest loans. There are food pantries, utility assistance programs, rental assistance programs, and a list of financial assistance resources available online at [http://www.austintexas.gov/sites/default/files/files/Telecommunications/ConsumerResources\\_2014\\_rev01.pdf](http://www.austintexas.gov/sites/default/files/files/Telecommunications/ConsumerResources_2014_rev01.pdf) before taking out any high interest/high cost loans **know the alternatives**. Alternatives can be less costly than payday loans and auto title loans.

Q: What are some of the things I can do to build a relationship with a credit union and begin rebuilding my credit? Answer: You may begin by just contacting a credit union. Banks and credit unions often allow provide loans at much lower interest rates and by contacting the credit union and opening an account may begin establishing a relationship with the bank and/or credit union, in case you have future loan needs. Ask questions ahead of time and then schedule a time to visit the credit union to determine what services they may provide to you.

Q: What I don't have a bank account? Answer: If a consumer doesn't have a relationship with a bank --- opening and maintaining an account is an important first step. If you have been unable to retain a bank or credit union account and the account has been closed, check out [Second Chance Banking](#) by contacting Austin- 211. Second Chance Banking offers [another chance](#) for a new account when a prior bank or credit union account may have been closed, i.e. for overdrafts.

Q: Does the City provide loans to consumers so that consumers do not need to pay high cost loans? Answer: No. The City of Austin does not provide loans or financial assistance. The City does provide alternate resource referrals to nonprofit organizations that may provide financial assistance and financial education.

Q: How can I obtain more information? Answer: Contact the City of Austin at: CABCommunications or contact City staff at 512.974.2466.

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<sup>i</sup> <http://www.tml.org/payday-updates>