Fair and Just Financial Practices

Predatory Payday Loans: What It Is, Why It Matters, and What You Can Do

THE ISSUE

Payday loans are small short-term, high-cost loans, that are usually $500 or less. Payment on the principal amount and fees is typically due on the borrower's next payday.

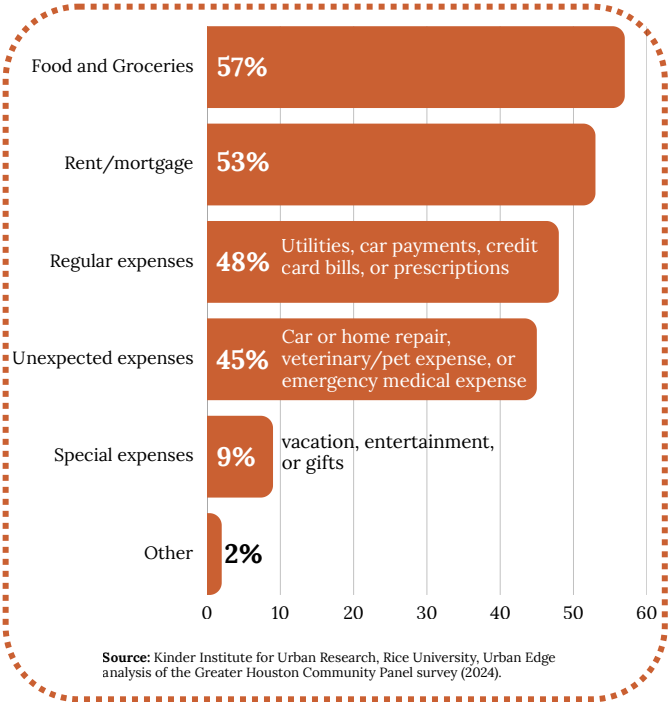
Because of a loophole in Texas' lending laws, borrowers who can't pay off the entire loan at that time, may have to pay high fees to roll over the loan. Each rollover adds high fees that never reduce the principal - trapping borrowers in a cycle of debt and creating harmful lending practices.

HOW IT IMPACTS TEXANS

Texas is one of only a handful of states with no cap on payday and auto title loan charges. These businesses receive a free pass compared to other financial providers. Texans pay about double in fees compared to borrowers in other states for a two week $500 payday loan.

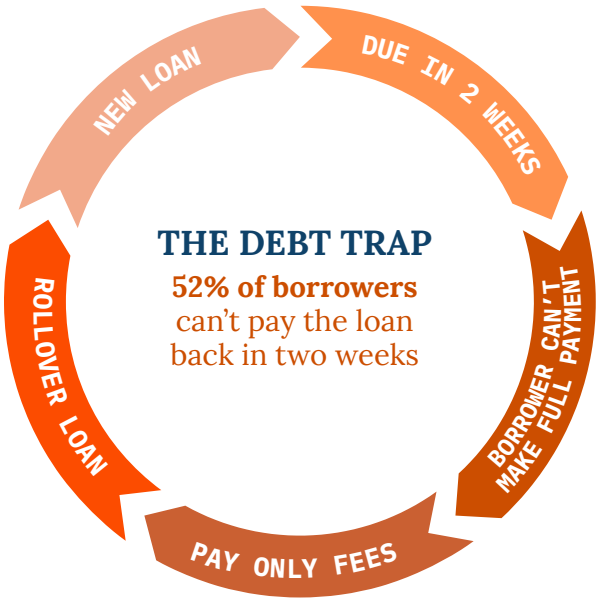
REASONS FOR TAKING OUT PAYDAY LOANS

Respondents could select more than one reason; therefore, percentages do not total 100%.



Source: Kinder Institute for Urban Research, Rice University, Urban Edge analysis of the Greater Houston Community Panel survey (2024).

Most borrowers are using predatory payday loans to cover **rent** and **groceries**.



Scan for the live, up-to-date version of this guide

A CLOSER LOOK

Earned Wage Access (EWA) products offer borrowers small short-term cash advances until their next paycheck. Hidden fees and coercive tipping practices help EWA companies evade consumer protections. Without guardrails, they become a modern version of predatory payday loans.

"When calculated as a loan, EWA cash advances can carry APRs ranging from 284% to 956%, depending on the company, making them nearly as expensive — or even more costly — than traditional payday loans."

Texas Appleseed, Skimming Fees From Texans' Paychecks (2025).

WHY CHRISTIANS CARE

> *"But whoever has the world's goods, and sees his brother in need and closes his heart against him, how does the love of God abide in him?...let us not love with word or with tongue, but in deed and truth."*
>
> *1 John 3:17-18 (LSB)*

> *"Whoever increases wealth by taking interest or profit from the poor amasses it for another, who will be kind to the poor."*
>
> *Proverbs 28:8 (NIV)*

Throughout scripture there are prohibitions on usury and commands for those who love God to care for the poor.

TAKE ACTION

1. **Learn** how current policies affect Texans. For more information on payday and auto title lending in Texas, visit texasfairlending.org.
2. **Pray** for wisdom and compassion for the leaders and communities affected by this issue.
3. **Participate** in the process.
   - Contact your local and state officials. Find out who represents you at wrm.capitol.texas.gov.
   - Ask them to support meaningful payday & auto title reform.
   - Share this guide with someone in your church.