

# PREDATORY LENDING IN THE RIO GRANDE VALLEY

## FACT SHEET

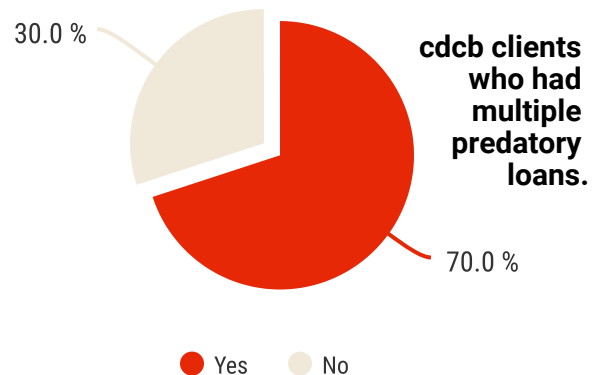
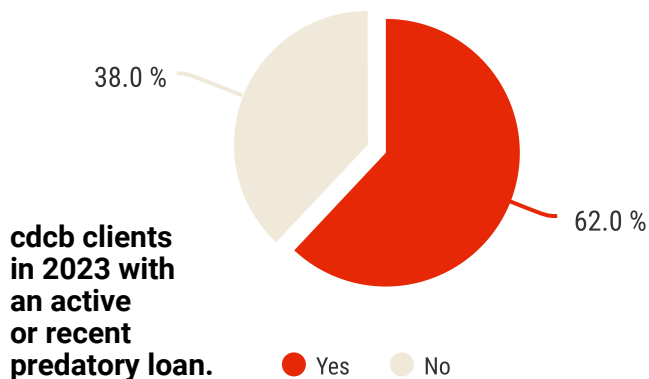
February, 2024



**THE BROWNSVILLE/HARLINGEN MSA EXPERIENCED AN ECONOMIC LOSS OF \$56.8 MILLION DUE TO PAYDAY AND AUTO TITLE LENDING FROM 2012-2021.**

- Predatory personal and payday lending has taken over the Rio Grande Valley, as loan offices take advantage of clients with poor/no credit and poor financial literacy.
- Clients are often desperate for cash in order to keep up with the rising cost of living.
- Predatory loan offices offer “fast easy loans”, but with interest rates ranging anywhere from 150%-500%.
- This traps borrowers into a cycle of debt, as many are forced to refinance or take out more loans.

### > THE IMPACTS OF PREDATORY LENDING



Despite Brownsville’s municipal ordinance on predatory lending, FDIC-supervised banks front for lenders (rent-a-bank lending) which allows them to disguise their loans as bank loans, which do not adhere to state interest rate caps.

### > COVINGTON CREDIT

The Consumer Finance Protection Bureau (CFPB) is suing Heights Finance and its subsidiaries, one of which is Covington Credit, citing unlawful loan-churning practices. The Rio Grande Valley has the highest number of victims of predatory lending in the nation, according to the CFPB. Heights Finance currently has multiple offices across the RGV.

### > POLICY RECOMMENDATIONS

- A reasonable interest rate cap on all charges, including bank loans in order to avoid rent-a-bank lending schemes.
- Cycle of Debt Protections: Limits on the size and length of loans based on borrower income.