

PABLO

FILE UNDER:.

LOAN SHARK BILL TEXAS 1975

THERE IS ALLREADY A FILE.



Texas State Senate

April 4, 1975

WILLIAM N. (BILL) PATMAN
State Senator, District 18
P. O. Box 13247, Capitol Station
Austin, Texas 78711

Home Address:
P. O. Drawer A
Ganado, Texas 77962

Dear Friend:

The excellent work you have done in helping to oppose SB 69 contributed greatly to our success on March 18, when the Senate refused to give the necessary two-thirds majority vote to the motion by Senator Moore that the regular order of business be suspended in order that SB 69 could be taken up and considered by the Senate. Although the motion failed by a vote of 19 to 12, we understand that the margin of victory actually hinged upon one vote.

Next week we may need 16 votes to defeat the bill on the Senate floor. Your participation can influence these crucial votes. Please make a special effort as soon as possible to express your opposition to SB 69.

Contacting your public officials is of the greatest importance. In addition, letters to the editor of your local paper can be very helpful.

Thanks very much for your continued interest and encouragement.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Patman".

WNP:mb

The mailing address for all members of the Senate and Lt. Gov. William P. Hobby is: P. O. Box 12068
Austin, Texas 78711

The mailing address for all members of the House of Representatives is: P. O. Box 2910
Austin, Texas 78767

The mailing address for the Governor is:
Honorable Dolph Briscoe
Office of the Governor
State Capitol Building
Austin, Texas 78711

SENATE JOURNAL

SIXTY-FOURTH LEGISLATURE — REGULAR SESSION

AUSTIN, TEXAS,

PROCEEDINGS

THIRTY-SEVENTH DAY
(Tuesday, March 18, 1975)

MOTION TO PLACE
COMMITTEE SUBSTITUTE SENATE BILL 69 ON SECOND READING

562

Senator Moore moved to suspend the regular order of business and take up C.S.S.B. 69 for consideration at this time.

The motion was lost by the following vote (not receiving 2/3 vote of members present): Yeas 19, Nays 12.

Yeas: Aikin, Andujar, Brooks, Creighton, Hance, Harris, Jones, Kothmann, Lombardino, Longoria, McKinnon, McKnight, Meier, Mengden, Moore, Ogg, Santiesteban, Traeger and Williams.

Nays: Adams, Braecklein, Clower, Doggett, Farabee, Gammage, Harrington, Mauzy, Patman, Schwartz, Sherman and Snelson.

Caller-Times
Corpus Christi, Texas

MAR 22 1975

Loan bill bad legislation

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For a time it seemed that State Sen. Bill Patman was conducting a lonely and futile battle to defeat a bill (Senate Bill 69) which would permit exorbitant interest rates on consumer loans up to \$5,000. Its passage was virtually assured in the Senate, after an abbreviated committee hearing. Now its chances are doubtful after a number of senators rallied to the Patman side.

The present legal rate on a \$1,000 loan for 37 months is 19.54 per cent. That rate would be increased 25.4 per cent under SB 69, a jump in interest rate alone from \$339.17 to \$425.50. Banks and savings and loan associations could also charge the same rates authorized for loan companies.

Patman argues persuasively that the simple statement made by loan companies that they need a higher interest rate to stay in business is not enough. He insists that the burden of proof of need must be met by the loan companies, supported by independent audits of all loan company operations.

This is bad legislation. Until remedial legislation was passed, the Lone Star State was known as "The Loan Shark State." The piteous cries of loan companies for more profit at each session of the legislature should be examined most carefully. We should avoid being relabeled again as the Loan Shark State.

\$2600
37 MONTHS

NOW SB 69
\$641.33 \$900.33

(40.39% Greater)

Without SB 69 the penalty for deliberately charging such outrageous interest would be \$1800.66 plus reasonable attorneys' fees. The borrower under present Texas law could sue the overcharging lender for these amounts -- twice the interest contracted for plus reasonable attorneys' fees. (Vernon's Ann. Civ. St. Art. 5069, Sec. 8.01)

Now	SB 69
\$1000.00	\$1000.00
37 months	37 months
\$339.17	\$425.50

Without SB 69 the penalty for deliberately charging such outrageous interest would be \$851.00 plus reasonable attorneys' fees. The borrower under present Texas law could sue the overcharging lender for these amounts -- twice the interest contracted for plus reasonable attorneys' fees. (Vernon's Ann. Civ. St. Art. 5069, Sec. 8.01)

This large increase is in interest alone under SB 69. It amounts to an increase of over 25%.

SB 69

60 months – \$3000.00

pay – \$4640.00

receive – \$2326.98

A couple that tries to borrow \$3000 for 60 months under SB 69 must obligate themselves to pay the loan company \$4640. Deducting insurance charges, the loan company reduces the cash amount the borrowers receive to \$2326.98. Their \$4640 obligation is nearly twice the amount they take home. The difference between \$4640 and \$2326.98 is caused by these charges: interest -- \$1640; joint (husband and wife) credit-life insurance -- \$204.16; accident and health insurance -- \$192.56; and personal property insurance -- \$276.30. Thus the loan company would receive a note from a married couple for \$4640, payable over a 60 month period, and the couple would actually walk out the door with only \$2326.98. Of course, if the money were to be used for purchasing an automobile, the charge for car insurance would probably be much greater, and the couple would not even receive as large an amount as \$2326.98.

SB 69

37 MONTHS

Total Note	\$548.29
"Cash Advance"	\$359.70
"Net Proceeds"	\$300.00
APR w/o ins.	29.01%
APR w/ ins. no ppi	35.54%

To buy a \$300 refrigerator with a finance company loan, an unmarried person would have to sign up for \$548.29 in payments over a 37 month period. Deducting interest of \$188.59 leaves him \$359.70. The difference between \$359.70 and \$300.00 is caused by these insurance charges: single credit-life -- \$9.81; accident and health -- \$19.46; and personal property insurance -- \$30.43. His borrowing costs on an annual percentage basis amount to 29.01% for interest alone, and 35.54% for interest plus accident and health and credit-life insurance (not counting personal property insurance).

These insurance costs are less for a single person than they would be for a married couple.

SB 69

37 MONTHS

Total Note	\$7540.00
"Cash Advance"	\$5000.00
"Net Proceeds"	\$4061.63
APR w/o Ins.	17.52%
APR w/ Ins. no ppi	22.88%

It is unlikely that any borrower will be able to walk out the door of a loan company with the maximum amount of \$5000 under SB 69. Insurance deductions take care of that. Here we see how those for a single man cut down his actual receipt of dollars from \$5000 to \$4061.63. The difference between \$5000 and \$4061.63 is caused by these insurance charges: credit-life -- \$218.66; accident and health -- \$312.91; and personal property insurance -- \$406.80. "APR w/o Ins." is the interest only borrowing cost expressed as an annual percentage rate. Insurance charges are not included. "APR w/ Ins. no ppi" is the borrowing cost that includes interest, single credit-life, and accident and health insurance expressed as an annual percentage rate. "No ppi" means personal property insurance -- though an additional expense for the borrower -- has not been computed within the APR. The "net" for a married couple would be less because insurance charges would be greater.

VARIATIONS IN ANNUAL PERCENTAGE RATES OF INTEREST FOR REPAYMENT PERIODS
PROPOSED BY SENATE BILL 69

	<u>12 months</u>	<u>37 months</u>	<u>48 months</u>	<u>60 months</u>
\$ 500	27.65	26.85	* --	* --
1000	24.57	24.04	* --	* --
2000	21.28	21.00	20.60	* --
5000	18.25	18.16	17.86	17.52

* Loans in this amount are not available for this repayment period.

SAMPLES OF INTEREST CHARGES IN DOLLARS FOR REPAYMENT PERIODS AUTHORIZED BY
SENATE BILL 69

	<u>12 months</u>	<u>37 months</u>	<u>48 months</u>	<u>60 months</u>
\$ 500	\$ 78.00	\$ 240.50	* --	* --
1000	138.00	425.50	* --	* --
2000	238.00	733.83	\$ 952.00	* --
5000	508.00	1566.33	2032.00	\$2540.00

* Loans in this amount are not available for this repayment period.

Repayment periods proposed by Senate Bill 69:

\$0 - \$1500	37 month maximum
\$1501 - \$2500	48 month maximum
\$2501 - \$5000	60 month maximum

Senate Bill 69 proposes considerably longer repayment periods for consumer credit loans. Moreover, the longer the repayment period, the greater the danger of default due to illness, unemployment, or other family crisis a family might suffer over that length of time. If payments are missed, the loan must be refinanced. Refinancing a loan is enormously expensive and could add greatly to a family's troubles.

Patman Staves Off Interest Boost Bill

By JON FORD
Political Editor

A persistent senator's dogged opposition to a controversial bill to boost loan interest rates rallied enough support Tuesday to stall it at least temporarily in the Senate.

Sen. Bill Patman of Canado, who had been prepared to filibuster against the measure (SB 69), said he was hopeful it could be defeated after a surprise vote which blocked consideration.

Senators voted 19 to 12 for a motion by Sen. Bill Moore of Bryan to suspend the regular order of Senate business and bring up the bill, known as the "Texas Consumer Credit Act." However, that was two votes short of the 21 needed for the suspension.

Actually, Lt. Gov. Bill Hobby reportedly first tallied a 20-11 vote, but one switched before the record was completed.

Both proponents and opponents of the legislation which would jack up interest rates sharply on consumer loans up to \$5,000 expressed surprise the suspension vote had fallen below 21.

"I'm delighted and much relieved," said the filibuster-ready Patman. "I am per-

mitting myself a feeling of cautious optimism. I have complete confidence in the outcome if the people will take an active part in this campaign. It's not just my fight. It's the people's fight."

Patman fought a lonely and losing battle to keep the bill from coming out of the Senate Economic Development Committee.

Robert Duke, general counsel for the Association of Consumer Finance Companies, sponsors of the legislation, said he had figured 21 votes were assured.

"I thought the bill had enough merit to be debated," Duke said. "This is not a totally one-sided issue. The opponents are making a philosophical choice: that some people should not be offered credit. I don't know how the tide is running now. We will have to play it by ear and see what the mood of the Senate is."

Moore can make additional motions to bring up the bill.

Interest rates proposed in the bill were defended briefly by Moore

"Failure to pass this bill will be denying a certain class of consumers the opportunity to borrow money. The banks

won't lend it to them," Moore contended.

"You are being offered the granddaddy of all loan shark bills," countered Patman. "It's an attack on the people of Texas by out-of-state loan companies."

A borrower of \$3,000 for 60 months under terms of Moore's bill would obligate himself to pay back \$4,640, Patman claimed. Deducting insurance would reduce the cash advanced to \$2,327, he added.

The bill provides a varied range of interest ceilings. For a \$1,000 loan, the top interest allowable would be 138 or 24.6 per cent. The present legal ceiling is 110 and the median for all states 141. Allowable charges on a \$500 loan would be \$78 (an \$8 increase) and on a \$5,000 loan it would be \$508.

Senators voting against bringing up the bill for consideration were Patman, Lloyd Doggett of Austin, Don Adams of Jasper, Bill Braecklein of Dallas, Ron Clower of Garland, Ray Farabee of Wichita Falls, Bob Gammage of Houston, D. Roy Harrington of Port Arthur, Oscar Mauzy of Dallas, A.R. Schwartz of Galveston, Max Sherman of Amarillo and W.E. "Pete" Snelson of Midland.

Senators refuse to debate raising small loan interest

By BOB BAIN

Star-Telegram Austin Bureau

AUSTIN — The Senate refused Tuesday to debate legislation raising interest rates on small loans but approved a measure exempting fund-raising candy sales by young people from the state sales tax.

Sen. Bill Moore of Bryan, sponsor of the measure (SB 69) affecting interest rates on loans up to \$5,000, fell two votes short of the total needed to initiate debate.

Failure to pass the bill, Moore said, would deny a "certain class of consumers the opportunity to borrow money... banks won't loan these people money."

Sen. Bill Patman of Canado described the proposal as the "grand-daddy of all loan shark bills... an attack on the families of Texas by out-of-state loan companies."

Sen. Patman said the proposed interest rate on a \$1,000 loan for 37 months would be 24.04 per cent as contrasted to the present rate of 19.54 per cent.

Mrs. Andujar and Sen. Bill Meier of Eules both voted with Moore to take up the bill affecting loan interest rates out of the regular order of business.

Voting against taking up the bill were Sens. Don Adams of Jasper, Bill Braecklein of Dallas, Ron Clower of Dallas, Lloyd Doggett of Austin, Ray Farabee of Wichita Falls, Bob Gammage of Houston D. Roy Harrington of Port Arthur, Oscar Mauzy of Dallas, Patman A. R. Schwartz of Galveston, Sherman and W. E. Snelson of Midland.

FORT WORTH STAR-TELEGRAM

Wednesday Morning, March 19, 1975

Loan interest measure set back

Post State Capital Bureau

AUSTIN — A controversial bill to raise consumer loan interest rates suffered its first legislative setback Tuesday when its sponsor could not muster the two-thirds majority to bring it up for debate in the Senate.

Needing 21 votes, Sen. William T. "Bill" Moore, D-Bryan, could muster only 19 to suspend a rule to bring the bill up out of regular order.

With all 31 senators present, Sen. William N. "Bill" Patman, D-Ganado, rounded up 12 votes against the bill.

The bill, SB 69, which Patman told the Senate is the "granddaddy of all loan shark bills," would allow higher interest rates on all consumer loans between \$300 and \$5,000.

Patman, who has sought to marshal opposition to the bill for about two months, was primed to launch a filibuster against the bill if the Senate had taken it up.

CLAIMING HE might be able to muster more votes against the bill's passage than he could against the Senate's debating it, Patman claimed a vote for the bill "will be a permanent black mark on a senator's record — the one vote where he showed his true colors."

Arguing for bringing it up, Moore said the higher interest rates it would allow finance companies are needed because of the high cost of money they must borrow to lend to consumers and to keep the credit they supply from drying up. He labeled attacks on his bill "sheer demagoguery" which, by holding down interest rates, would merely "deny people the opportunity to borrow money."

PATMAN CALLED the bill "an attack on the families of Texas by out-of-state loan companies" and an attempt by such companies to "tell us we have to match the brutal rates put through weak legislatures" in other states.

He said all banks and savings and loan associations could qualify to use the higher interest rates the bill would allow, as well as the consumer finance companies pushing for its passage. The same high rates could be charged on bank credit card accounts, he said.

Patman said the interest on a \$1,000 loan for 37 months, now \$339.17 for an annual percentage interest rate of 19.54 per cent, would jump under Moore's bill to \$425.50, or 24.04 per cent.

Four Harris County senators — Chet Brooks, Walter Mengden, Jack Ogg and Lindon Williams — voted with Moore for the rules suspension. Sens. Bob Gammage of Houston and A. R. Schwartz of Galveston voted against taking the bill up.

HOUSTON CHRONICLE
Wednesday, March 19, 1975

Patman Battles Bill to Up Rates On Small Loans

BY GEORGE KUEMPEL

Chronicle Austin Bureau

Austin — Sen. William N. "Bill" Patman of Ganado has won the opening battle in his almost single-handed drive to scuttle a bill to hike interest rates on small loans.

By a vote of 19-12, the Senate Tuesday refused to suspend the rules to take up the bill, SB 69, for debate out of regular order on the Senate calendar.

That was two votes shy of the two-thirds needed.

Sen. William T. "Bill" Moore of Bryan, sponsor of the bill and one of the Senate's most powerful members, said he didn't know if he would try right away to get the bill up for vote.

"It just depends on how I feel," he said.

Patman blasted the bill as "the granddaddy of all the loan-shark bills."

Moore argued that the higher interest rates are needed to offset the higher prices lenders must pay for their money, as well as increased operating costs brought on by inflation.

"They (the lenders) are paying more for the commodity they sell. They have nothing to sell but money," Moore said.

He also warned that failure to pass the bill will drive many loan companies out of business, depriving the poor and high-risk borrowers of a source of money.

"You are denying a certain class of consumer the opportunity to borrow money," if the bill isn't passed, he said. "The banks will not lend them money."

Higher Rates

Patman said Banks and savings and loan companies would be authorized to charge the higher interest rates as well as loan companies.

The bill would increase the interest charges on loans over \$300 and raise the ceiling on loans regulated by the Consumer Credit Commission from \$2,500 to \$5,000.

The annual interest rate on a \$1,000 loan (the most common made) for 37 months would be increased from 19.54 to 24.04 per cent, according to Patman. The annual interest charge for a 37-month, \$2,600 loan would go from 14.53 to 19.92 per cent, he said.

Moore and the bill's supporters could turn the loss around by persuading one of the opponents to switch his vote and another to "take a walk." This would make the vote 20-10, the exact two-thirds needed to bring it up for debate.

From there, the bill would be in for smooth sailing in the Senate, where Patman has acknowledged it has majority support. Patman has predicted it will pass the House if it clears the Senate.

Vote a Surprise

The vote apparently came as a surprise to Patman, who came to the Senate Tuesday prepared to filibuster the bill in hopes of mustering public opinion against it.

"I really didn't think we had the votes to block the vote debate," he said.

Four of Harris County's six senators voted with Moore. They were Walter H. Mengden Jr., Jack Ogg and Lindon Williams, all of Houston, and Chet Brooks, Pasadena. Bob Gammage of Houston and A. R. "Babe" Schwartz of Galveston voted with Patman.

How loan firms argue the case

Houston Chronicle
March 17, 1975

By Bo Byers

AUSTIN—The Association of Consumer Finance Companies is waging an intensive but low-keyed public relations campaign to convince people that maximum interest rates on "small" loans should be increased substantially.

State Sen. Bill Patman of Ganado is waging a one-lawmaker campaign against SB 69, the bill written by the finance companies to achieve their goal in Texas. The bill is pending in the Senate, where debate may be sought this week.

The lenders and Sen. William T. "Bill" Moore of Bryan, sponsor of SB 69, view Patman as an obstructionist who fights their bill only because it involves an issue which helps him win re-election in his district.

The issue is whether the rates sought by the companies are justifiable and necessary or whether they are excessive.

Two basic arguments are used by the companies: One, that under present rates they cannot make a reasonable profit; two, that the Texas rates are among the lowest in the United States.

Patman does not respond to the argument that finance companies are losing money or making inadequate profits. His view is that it is not the state's responsibility to set rates so high that they place low income, high risk borrowers in perpetual bondage to the loan companies.

Dr. E. Ray McAlister, professor of business administration at North Texas State University, made a \$25,000 study for the Association of Consumer Finance Companies to demonstrate that Texas rates are among the nation's lowest for small loans of more than \$300.

McAlister advanced the view that if low income, high risk borrowers are to be served by the lenders the rate structure must be boosted to assure the companies "a reasonable return on investment."

Patman says the strategy of the loan companies is to go from state to state to force weak legislatures to raise the rates. He notes that bills to increase charges on consumer loans are being pushed also in the capitols of Georgia, Kansas, Missouri and Nebraska.

"If Texas senators and representatives give in now, the loan companies will no doubt be going back to stronger states who managed to hold the line and pointing to Texas figures to support their demands," Patman says.

The rates sought by the companies vary according to the size of the loan, but they would range from more than 20 per cent to 31.7 per cent per year.

Any way you cut it, that is a great deal of interest for most American families to pay on loans in the \$300 to \$5,000 range.

The contention of McAlister, the finance companies and Moore is that it is wiser to allow loans at these rates than to dry up the availability of loans from legitimate companies and force borrowers to turn to unregulated loan sharks.

There is an inherent fallacy in the consumer finance company argument. Their philosophy is that no matter how high the interest rate, so long as it is legally authorized, the public interest is being served by making credit available to people with the least ability to repay loans.

The effect of that philosophy is to assure virtual perpetual indebtedness for poor people.

In a time of critical recession, the desirability of higher rates on loans for consumer purchases is highly questionable.

Byers, chief of the Chronicle's Austin Bureau, is a veteran observer of the Texas political scene.

Daily Review
Athens, Texas

MAR 24 1975

Bill Patman Worries About Next Step

AUSTIN (AP) — Sen. Bill Patman worried today that a parliamentary maneuver might enable supporters of a bill hiking loan interest rates to push the bill through the Senate.

The Senate convened at 11 a.m., the House at 2 p.m.

Patman, D-Ganado, said the Senate had been taking up bills in order recently, rather than skipping around on its long calendar of bills as it usually does.

Such a procedure could leave Senate Bill 69—the bill raising rates on loans up to \$5,000—at the top of the calendar, where only 16 votes would be needed to adopt it. As long as other bills are ahead of it, 21 votes are needed to consider a proposal out of order.

The first time the bill's sponsor, Sen. Bill Moore, D-Bryan, tried to bring up the bill, his motion fell two votes short at 19-12. But Moore has given advance notice he intends to try again.

Daily Tribune
Bay City, Texas

MAR 24 1975

Bill To Hike Loan Rates

AUSTIN (AP) — Sen. Bill Patman worried today that a parliamentary maneuver might enable supporters of a bill hiking loan interest rates to push the bill through the Senate.

Patman, D-Ganado, said the Senate had been taking up bills in order recently, rather than skipping around on its long calendar of bills as it usually does.

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