
TEXAS OFFICE OF CONSUMER CREDIT COMMISSIONER

# 2025 Report on Availability, Quality and Pricing of Certain Financial Services and Consumer Loan Products

*12/1/2025*

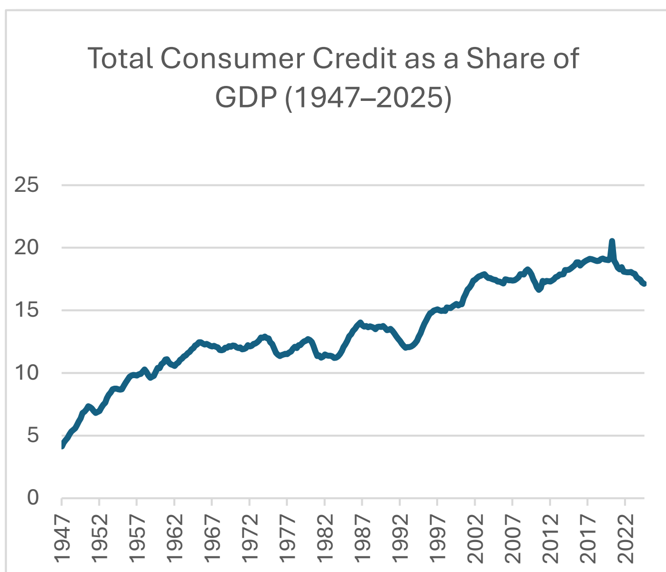
# Introduction

The Office of Consumer Credit Commissioner (OCCC), founded in 1963, regulates the state's non-depository financial marketplace. Each industry under its jurisdiction presents distinct consumer benefits and compliance requirements. The agency's mission is to ensure that financial products meet statutory standards and promote a fair, competitive credit market. This sector includes most non-depository lenders, non-real estate lenders, and certain segments of real property loans, all overseen by the OCCC. However, some lenders (like banks) and certain transactions (such as loans with interest rates below 10 percent) are exempt from OCCC licensing, covering the remaining market areas. Most businesses in these industries submit annual reports detailing their transaction growth or decline over the previous year. This report outlines six of the most common credit transactions received by Texas consumers from OCCC licensees in 2024, along with general alternatives to these products.

| Industry | Statutory Provision |
|---|---|
| **Large Installment Loans** | TFC ch. 342, subch. E |
| **Small Installment Loans** | TFC ch. 342, subch. F |
| **Property Tax Loans** | TFC ch. 351 |
| **Credit Access Businesses (Payday/Title)** | TFC ch. 393 |
| **Pawn Loans** | TFC ch. 371 |
| **Motor Vehicle Sales Finance** | TFC ch. 348 |

### Consumer Credit in the Economy

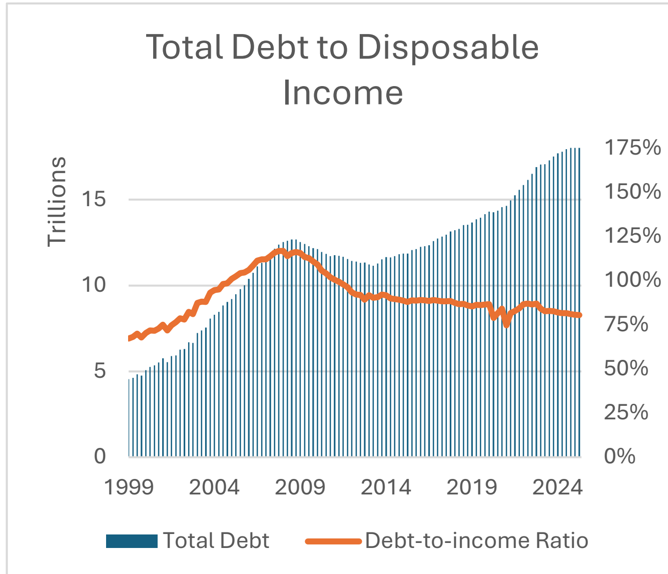
Consumer credit plays a significant role in a country's economy. In 1947, it accounted for just 4 percent of gross domestic product (GDP). Today, consumer credit represents 16.5 percent of GDP, reflecting its growing impact. Credit can positively influence economic growth by boosting consumer spending, which, in turn, drives job creation. However, when debt levels become excessive, households tend to spend less on goods and more on servicing debt. It is crucial to assess whether the level of debt being accumulated is fostering sustainable growth or creating financial strain at both the macroeconomic and household levels.




*Source: Federal Reserve Bank of St. Louis*

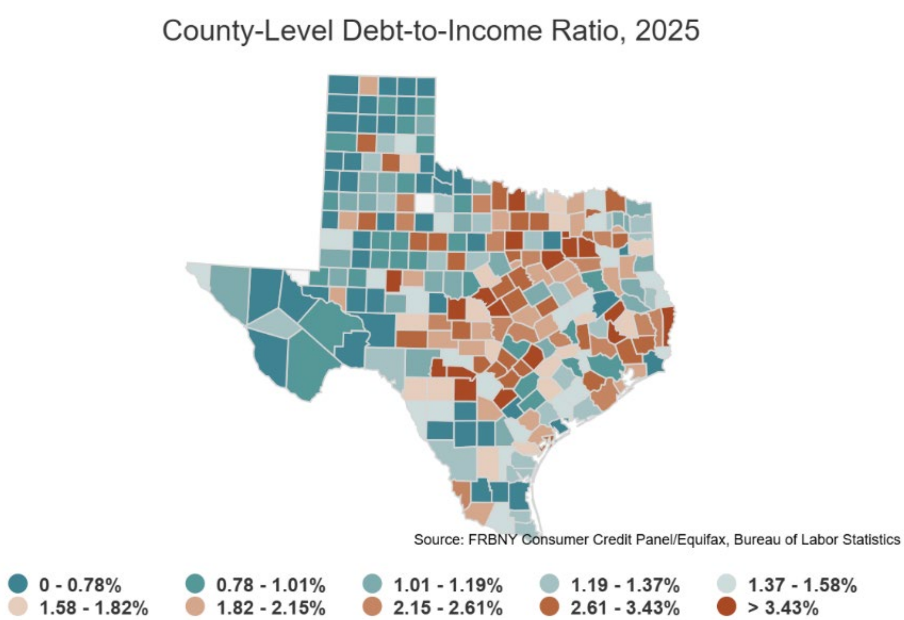
### DEBT LEVELS

Aggregate household debt has grown steadily since the 2008 recovery, reaching $18.4 trillion in Q2 2025, with mortgages accounting for nearly $13 trillion. Although debt levels continue to climb, the debt-to-disposable-income ratio remains below pre-pandemic levels at roughly 80 percent. In the mid- to late-2000s, this ratio exceeded 100 percent. While disposable income growth has outpaced borrowing overall, localized ratios reveal diverging trends. The analysis follows the Federal Reserve Bank of New York's Liberty Street Economics post, "Income Growth Outpaces Household Borrowing" (Nov. 13, 2024), which defines debt-to-income as total household debt divided by disposable personal income after taxes.




### TEXAS DEBT AT A COUNTY LEVEL[1]

County-level household debt-to-income ratios across Texas reveal substantial variation in local financial capacity. In 2025, ratios ranged from below 1.0× in several rural counties to above 3.0× in parts of East Texas, the Gulf Coast, and the I-35 corridor. While higher ratios are often concentrated in larger population centers where housing costs and credit utilization are greater, they do not necessarily indicate excessive borrowing. Rather, these differences reflect variations in reported taxable income.




[1] *Note:* The national household debt-to-income ratio (≈ 80%) published by the Federal Reserve Bank of New York is based on disposable personal income after taxes. County-level ratios from the Federal Reserve Board use IRS-based taxable income, which excludes transfers and benefits. Because the local income measure is narrower, county ratios appear two-to-four times higher than the national aggregate.

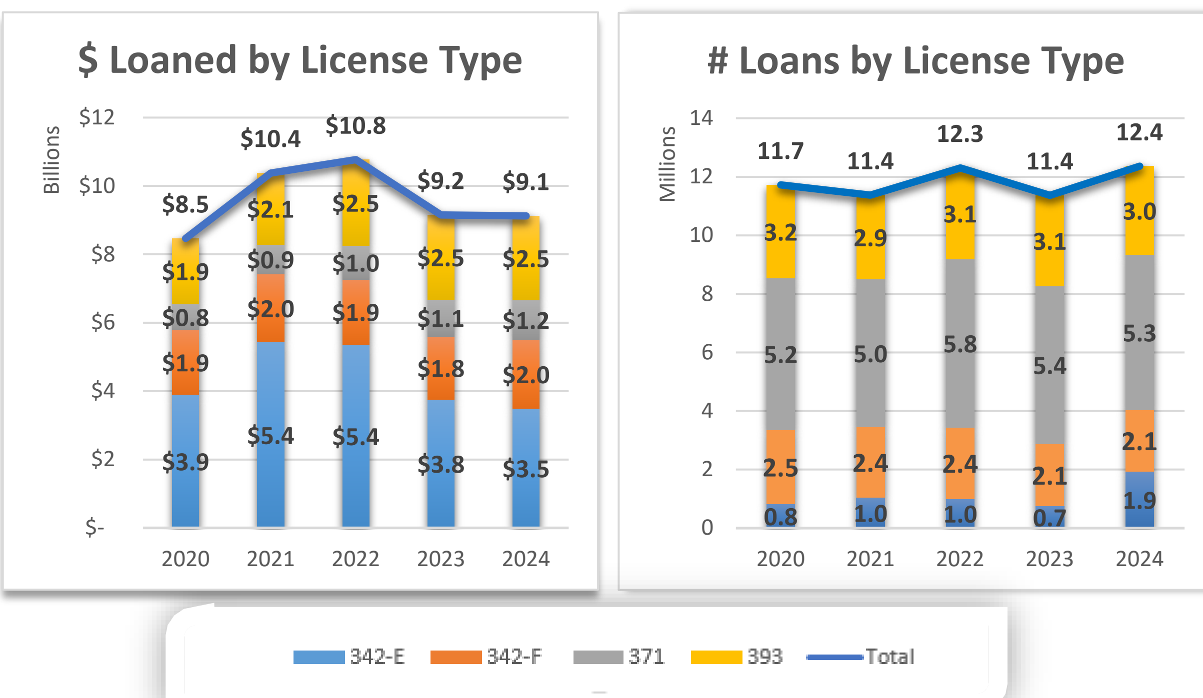
## Lending Volumes

Data presented in this report reflects non-real estate consumer lending activity, which includes installment, pawn, and payday/title loans. In 2024, OCCC licensed lenders and registered financial service providers originated approximately **12.4 million loans totaling $9.1 billion**. These figures represent the number of loans made rather than the number of individual borrowers, as many consumers obtain multiple loans within a year through refinancing or by taking out successive loans.

Overall, loan originations declined by roughly 1 percent in total dollar volume compared to 2023. When excluding large installment loans made under Chapter 342, Subchapter E, the number of originations decreased by about 2 percent. However, including 342-E loans, total originations increased nearly 9 percent, as that category experienced a significant expansion, a 170 percent increase in the number of loans made during 2024.

Although Chapter 342-E loans are generally associated with larger installment amounts, the 2024 data indicate a marked shift in loan size. The average 342-E loan amount fell to approximately $1,800, compared to historical averages exceeding $5,000. This trend reflects the evolving use of the 342-E rate structure, defined as loans made at rates greater than 10 percent but below those permitted under Subchapter F, rather than a change in traditional large loan lending. The increase in originations is primarily attributed to technological advances that have enabled smaller, rapidly accessible loans, often through mobile or online platforms.

**Five-Year Lending Volume Comparison**



# Consumer Loans: Personal/Secured Loans (342-E)

## Overview

In 2024, a total of 1,930,881 personal loans were originated under Texas Finance Code, Chapter 342, Subchapter E. This represents an increase of approximately 160 percent compared to the prior year, while the aggregate amount loaned declined from $3.8 billion to $3.5 billion. Loans with effective annual percentage rates exceeding 10 percent that are not classified under Subchapter F are reported as Subchapter E loans.

The expansion of financial technology continues to diversify the loan products offered under 342-E. Consumers may now obtain these loans through mobile applications to finance routine expenses, execute electronic loan agreements for home improvements, or use proceeds for the purchase or refinancing of motor vehicles and watercraft. Subchapter E loans generally provide higher cash advance amounts and lower annual percentage rates than those available under signature or small installment loan programs.

## Type of Customer

Borrowers of Subchapter E loans typically demonstrate stronger credit profiles and greater repayment capacity than borrowers of more expensive products. Loan amounts frequently exceed $5,000, and interest rates commonly range between 18 and 30 percent. Lenders may charge a prepaid administrative fee of up to $125 and offer related products such as credit insurance or automobile club memberships.

| SECTION | DETAILS |
|---|---|
| **ALLOWABLE CHARGES** | • Interest rate range: 18% – 30%<br>• Prepaid administrative fee up to $125<br>• Late charge: 5% after 10 days<br>• Returned-check fee ≤ $30 |
| **LOAN TERMS** | • No statutory maximum loan amount if the rate ≤ 18% (historically $5,000, though smaller loans are increasingly common)<br>• Loan term may extend 60 months or longer<br>• Prepayment permitted; interest accrues daily |

## Default and Alternatives

Borrowers with secured loans risk losing their personal property, motor vehicle, or other security to the lender. The lender or third-party debt collector may pursue the remaining deficiency balance after the collateral has been disposed of or the entire remaining balance of unsecured loans. A lender may file suit against the borrower, and most report the repayment history to consumer reporting agencies. A borrower may also incur attorney fees, repossession fees, and court costs added to the loan balance. Chapter 342-E borrowers could potentially qualify for more traditional and lower cost methods of credit such as credit cards for purchases or cash advances; personal loans from credit unions and community banks; loans from online peer-to-peer lending platforms; or home equity loans.

# Consumer Loans: Signature/Small Installment Loans (342-F)

## Overview

In 2024, 2,106,676 small installment loans averaging $957 were issued under Chapter 342-F. Due to these loans' higher-cost nature, the cash-advance amounts are limited by law. Borrowers can obtain Chapter 342-F loans with minimal to no security or credit references.

TransUnion's *Q2 2025 Consumer Lending Report* indicates that approximately 5.4 million unsecured personal-loan originations occurred nationwide in the first quarter of 2025, of which about 35 percent (roughly 1.9 million loans) were to subprime borrowers. The average new-loan amount within that risk tier was about $1,800, reflecting the small-dollar, higher-risk profile typical of subprime lending.

The industry is relatively homogeneous: storefronts of different companies may be clustered within the same region or retail corridor, and many lenders share overlapping customer bases. Repeat borrowing is common, and customers often refinance or renew loans multiple times. Some lenders also market through the mail, where an offer in the form of a live check can be accepted and cashed without visiting a store. In most cases, borrowers can receive funds on the same day they apply. Loan proceeds are typically issued by check, though electronic deposits and prepaid debit-card disbursements are becoming increasingly common.

## Typical Rates

The maximum allowable rates for Chapter 342-F loans are determined by statute. Most lenders charge the maximum interest rates (installment account handling charge). Current maximum rates are as follows:

| SECTION | DETAILS |
|---|---|
| **ALLOWABLE CHARGES** | • APR approximate range 80% – 113%<br>• 12.5% nonrefundable acquisition charge (limited to $125)<br>• $4 per $100/month installment account handling charge<br>• $10 or 5% late charge (whichever is greater) assessed 10 days after due date<br>• $30 fee for dishonored payment by check |
| **LOAN TERMS** | • Maximum loan amount: $1,800<br>• Loan terms usually 9–24 months<br>• No more than one outstanding loan per borrower per company<br>• Prepayment allowed without penalty; interest is normally calculated on a precomputed basis |

*Finance charge brackets and maximum effective rates as of July 1, 2025. Loan ceilings adjust each July 1 based upon the Consumer Price Index.

## Default

Borrowers utilizing secured loans risk losing their personal property, motor vehicle, or other security to the lender due to non-payment. The lender or third-party debt collector may pursue the remaining deficiency balance after the collateral has been disposed of or the entire remaining outstanding balance of unsecured loans. A lender may file suit against the borrower or repossess the collateral, and some lenders report the repayment history to consumer reporting agencies.

## Alternatives

Small consumer loan borrowers may run into eligibility issues with other credit products. Possible alternatives are pawn loans, credit card advances, and payday loans.

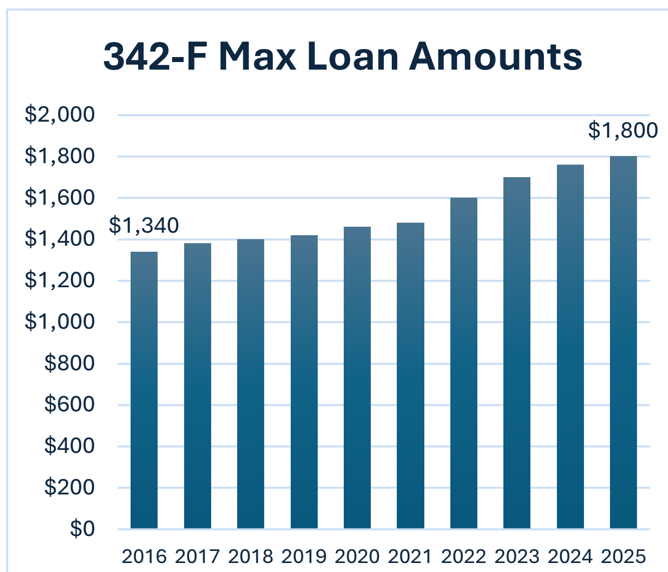
National data also show that personal-loan availability and terms vary significantly by lender type. Fintech lenders now account for roughly half of all personal-loan debt, while banks, credit unions, and finance companies hold smaller shares. The table illustrates differences in loan sizes and market share across lender types.

| *Category* | *Details* |
|---|---|
| ***Fintech lenders*** | Average new loan amount: $9,014<br>Share of total personal-loan debt: 50% |
| ***Banks*** | Average new loan amount: $10,979<br>Share of total personal-loan debt: 22% |
| ***Credit unions*** | Average new loan amount: $7,533<br>Share of total personal-loan debt: 19% |
| ***Finance companies*** | Average new loan amount: $2,252<br>Share of total personal-loan debt: 7% |

**Source:** The Motley Fool, *Personal Loan Statistics for 2025*, accessed October 2025. Data source: TransUnion (2025)

## 342-F Consumer Loan Amounts

The amount a consumer may borrow is limited on a 342-F loan. The 2025 loan ceiling is $1,800, reflecting an increase in the Consumer Price Index (CPI) from December 2024 to December 2025. During periods of low inflation, the loan ceiling has not changed. For the three consecutive years of 2014 to 2016, the loan ceiling remained at $1,340.




Adjustments have resulted in the maximum 342-F loan amount increasing 34 percent over the past ten years but less than 3 percent in the past year. Recent analyses of TransUnion data indicate that unsecured personal loan balances nationwide have continued to grow at a moderate pace rather than at the double-digit rates seen in earlier years. (TransUnion, 2025)

# Regulated Lender Consolidated Volume Report
# Calendar Year 2024

| Loans Made | Number of Loans | Dollar Value of Loans |
|---|---|---|
| **Chapter 342-E** | 1,930,881 | $3,486,878,616 |
| **Chapter 342-F** | 2,106,676 | $2,015,285,134 |
| **Chapter 342 G – Secondary Mortgages** | 4,751 | $1,460,577,845 |
| **Home Equity Loans – 1st Lien** | 11,342 | $2,637,592,736 |
| **Home Equity Loans – 2nd Lien** | 1,845 | $177,695,422 |
| **Chapter 346 – Revolving Credit Accounts** | 250,751 | $228,487,724 |
| **Chapter 348 – Motor Vehicle Sales Finance** | 339,804 | $12,793,514,320 |
| **Chapter 345 – Retail Installment Sales** | 1,631,638 | $1,634,879,667 |
| **Chapter 347 Loans – Manufactured Housing** | 5,503 | $551,780,953 |

| Loans Receivables | Number of Loans | Dollar Value of Loans |
|---|---|---|
| **Chapter 342-E** | $4,092,100 | $5,896,313,576 |
| **Chapter 342-F** | $1,209,953 | $1,224,780,290 |
| **Chapter 342 G – Secondary Mortgages** | 954 | $98,212,438 |
| **Home Equity Loans – 1st Lien** | 9,665 | $1,185,477,964 |
| **Home Equity Loans – 2nd Lien** | 547 | $37,819,916 |
| **Chapter 346 – Revolving Credit Accounts** | 413,046 | $484,442,291 |
| **Chapter 348 – Motor Vehicle Sales Finance** | 791,293 | $22,049,319,255 |
| **Chapter 345 – Retail Installment Sales** | 2,803,353 | $2,249,750,290 |
| **Chapter 347 Loans – Manufactured Housing** | 73,550 | $5,116,977,664 |

**Number of Companies Reporting: 781**

As of 10/28/2025

# Property Tax Loans (351)

## Overview

In 2024, 8,162 property tax loans averaging $21,399 were made under Chapter 351 on residential properties. With the consent of the property owner, a property tax lender is allowed to transfer and assume the special lien generated by taxing units for the property by paying delinquent taxes. The special lien retains its superior lien position (e.g. priority position in front of a purchase mortgage) after transfer and is foreclosable.

The industry relies on direct mail solicitation, web search results, and repeat customers for the business. Property owner information is generally public record and can be used in mail solicitations; however, specific advertisement rules in 7 Texas Administrative Code §89.208 apply. Property Tax Loans on residential properties must be closed by licensed residential mortgage loan originators.

## Type of Customer

Property owners 65 and older claiming a homestead exemption on the property may defer their property taxes and are not eligible for a property tax loan. Property tax loan borrowers either own their house without a mortgage or have at least one mortgage but do not escrow their taxes.

## Typical Rates

The maximum allowable rates for Chapter 351 loans are determined by statute. The average rate is lower than the maximum interest rate of 18 percent. Lenders can also charge closing costs associated with the review and preparation of loan documents.

| SECTION | DETAILS |
|---|---|
| **ALLOWABLE CHARGES** | • Interest rate of 18% or less<br>• General closing-cost limit of $900<br>• Additional closing costs of $100 per additional parcel of real property<br>• Reasonable fee if required to repair a title defect<br>• 5% late charge on scheduled installments assessed 10 days after due date<br>• Additional fees to attorneys for foreclosure and bankruptcy actions may be substantial |
| **LOAN TERMS** | • Maximum loan amount based on definition of Funds Advanced in Texas Tax Code § 32.06 (limited to tax-receipt items, recording fees, and closing costs)<br>• Loan terms vary from one to several years<br>• Notification to any pre-existing lienholders required after transfer and after 90 days of delinquency<br>• Prepayment allowed without penalty (on homestead property); loans delinquent 90+ days are often paid by borrower’s pre-existing mortgage company |

## Default

Similar to a mortgage or home equity loan, borrowers risk foreclosure for non-payment. After a foreclosure sale, the original residential property owner has a right to redeem by paying 125 percent of the foreclosure sale price during the first year of the redemption period or 150 percent of the foreclosure sale price during the second year of the redemption period with cash or cash equivalent funds.

## Alternatives

1. Taxing Unit Payment Plan for Residence Homesteads[2]
2. Credit Card with a low-interest rate
3. Home Equity Loan
4. Other options may be offered by individual County Tax Collectors or Texas Tax Code Chapter 31 (some options may have eligibility requirements)

## Factors Affecting Property Tax Loans

According to data from the U.S. Census Bureau's 2023 American Community Survey, Texas has the seventh highest effective property tax rate in the United States at approximately 1.36 percent, measured as annual property taxes paid relative to the value of owner occupied housing. Higher effective tax rates, combined with rising property values, increase the ongoing cost of homeownership by raising annual tax obligations. As property taxes account for a larger share of monthly housing costs, households with lower or moderate incomes experience increased affordability pressure, which can reduce borrowing capacity and increase overall debt burden.

Homestead exemptions are an important tool in mitigating the rise in taxes as they limit assessed value increases from year to year and exempt a portion of the property's taxable value. Texas voters have amended the Texas Constitution five times in the last 28 years increasing the homestead exemption. Important public policy decisions affecting taxes on homesteads, property owners on fixed incomes (aged 65 and older, disabled, surviving spouses), and payment options at the tax office all impact the amount of taxes owed and the demand for property tax loans.

| Year | Homestead Exemption Exemption |
|---|---|
| < 1997 | $5,000 |
| 1997 | $15,000 |
| 2015 | $25,000 |
| 2022 | $40,000 |
| 2023 | $100,000 |
| 2025 | $140,000 |

[2] Texas Tax Code §33.02

# Property Tax Lending
# Consolidated Volume Report
# Calendar Year 2024

| Loans Made Statistics | Residential | Non-Residential | Total |
|---|---|---|---|
| **Number of Loans** | 8,162 | 2,184 | 10,346 |
| **Amount of Loans** | $174,661,087 | $106,658,490 | $281,319,577 |
| **Average Loan Amount** | $21,399 | $48,836 | $27,191 |
| **Total Closing Costs** | $7,565,818 | $3,251,276 | $10,817,093 |
| **Average Closing Costs** | $927 | $1,489 | $1,046 |
| **Average Interest Rate** | 13.99% | 13.41% | |

| Total Volume Statistics | |
|---|---|
| **Number of Loans Receivable** | 24,892 |
| **Amount of Loans Receivable** | $594,228,482 |
| **Number of Loans 90+ Delinquent** | 5,067 |
| **Amount of Loans 90+ Delinquent** | $122,862,756 |
| **Number of Foreclosures** | 158 |
| **Amount of Foreclosures** | $6,661,936 |

**Number of Companies Reporting: 53**

As of 5/16/2025

## Pawn Loans (371)

### Overview

A pawnshop offers short-term credit to customers (pledgors) who pledge their tangible personal property as collateral for a cash advance. This is the only type of consumer loan that involves a possessory interest where the pledgor relinquishes use of the security during the life of the loan.

Most pawnshops are storefronts in high-traffic areas. Depending on the wait in the pawnshop, the customer could expect to receive the cash proceeds in a matter of minutes.

### Type of Customer

A pawn loan is strictly an asset-backed loan and no credit application is required. The pledgor is not required to have a job or the ability to repay the loan. The only eligibility requirements are:

1. Age 18 or over
2. Proper form of Identification
3. Legal right to possess and pledge the goods

### Typical Rates

The maximum allowable rates for pawn loans are determined by statute. Most pawnshops charge the maximum rates with occasional promotional offers. The current maximum rates are as follows:

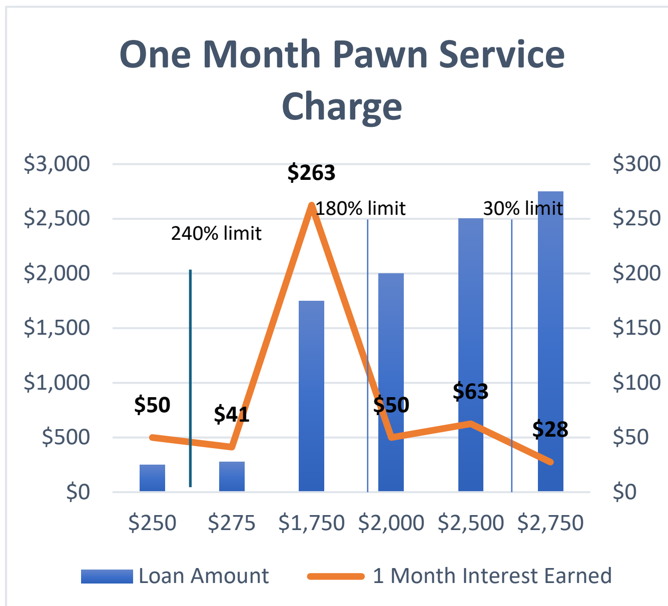
| SECTION | DETAILS |
|---|---|
| **ALLOWABLE CHARGES** | • 240% for loans up to $270<br>• 180% for loans up to $1,800<br>• 30% for loans up to $2,700<br>• 12% for loans up to $22,500 |
| **LOAN TERMS** | • Cannot exceed one month<br>• Minimum additional 30-day grace period<br>• May be renewed or extended<br>• No personal liability for pledgor |

*Finance charge brackets and maximum effective rates as of July 1, 2025. Rates adjust each July 1 based upon the Consumer Price Index.

## Default
To reclaim possession of the pledged goods the pledgor must repay the entire loan. If the customer does not redeem pledged items at the end of the loan term those items may then become part of the pawnshop's inventory and are offered for sale to the public. In the event of forfeiture, the pledgor has no further obligations and the pawnshop is prohibited from seeking a deficiency, filing suit, or reporting the default of the loan on the pledgor's credit history.

## Alternatives
Generally, pawn loans have the least restrictive eligibility and almost anyone could choose to become a customer. The most direct alternative would be selling the secured goods to a pawnshop, a consignment shop, or a private party. If the customer qualifies, a small consumer loan (342-F) secured by personal property could be less expensive.

## Factors Affecting the Pawn Loan Amount
In Texas, the amount loaned on a pawn transaction is influenced by the rate structure established in statute. When prices increase, consumers may seek larger loan amounts, and the collateral they pledge may also hold greater value. Pawn service charge rates are tied to the amount loaned on the pawn ticket, and the effective monthly rate decreases when specified loan thresholds are exceeded. These thresholds are adjusted annually for inflation and have increased by approximately 22 percent from 2021 to 2025.




The One Month Pawn Service Charge graph illustrates how similar loans can result in different service charges depending on whether the loan amount crosses a rate bracket. The decision regarding how much to lend on an item is influenced by the maximum service charge a pawnbroker is permitted to earn. The most significant change occurs at the point where the monthly charge declines from 15 percent (180 percent APR) to 2.5 percent (30 percent APR), which currently applies at loans of $1,800 or more. As a result, even when a consumer requests a larger loan, the consumer may receive a lower loan amount or be asked to pledge additional collateral across multiple tickets due to the structure of the rate brackets.

| Example Item | Loan Amount | 1 Month Interest Earned |
|---|---|---|
| Tools | $250 | $50 |
| | $275 | $41 |
| Jewelry | $1,750 | $263 |
| | $2,000 | $50 |
| Motorcycle | $2,500 | $63 |
| | $2,750 | $28 |

# Pawn Lending

# Consolidated Volume Report

# By Calendar Year

| Loans Made Statistics | Number of Loans | Amount of Loans | Average |
|---|---|---|---|
| **2024** | 5,294,137 | $1,154,851,317 | $218 |
| **2023** | 5,390,900 | $1,074,790,231 | $199 |
| **2022** | 5,752,850 | $982,305,520 | $171 |

| Loans Outstanding | Number of Loans | Amount of Loans | Average |
|---|---|---|---|
| **2024** | 1,421,003 | $365,721,875 | $257 |
| **2023** | 1,353,677 | $346,240,176 | $256 |
| **2022** | 1,265,258 | $282,908,435 | $224 |

*Number of Companies Reporting in CY 2024: 1,347*
*Number of Companies Reporting in CY 2023: 1,358*
*Number of Companies Reporting in CY 2022: 1,352*

As of 11/15/2025

# Credit Access Businesses (Payday and Title Loans) Chapter 393

## Overview

Credit access businesses (CABs) obtain credit for a consumer from an independent third-party lender in the form of a deferred presentment transaction or a motor vehicle title loan, more commonly referred to as "payday loans" or "title loans." In Texas, the actual third-party lender is not licensed; rather, the credit access business that serves as the broker is the licensee in this regulated industry.

CABs charge a fee to the consumer for obtaining a third-party loan. Fees are usually calculated as a percentage of the loan amount, either paid at the inception of the loan or accrued daily while the loan is outstanding. All payments are made directly to the CAB, and the borrower will generally not have any direct contact with the lender. Normally, the CAB provides the borrower funds issued from the lender's account. Borrowers can obtain these loans in high-traffic areas and increasingly online.

## Type of Customer

Payday loan customers need an active bank account, and lenders will advance money to the consumer based on the expectation that money is regularly deposited in that bank account. Title loan customers are required to have an unencumbered motor vehicle title to offer as security. Both types of customers could have anywhere from subprime to near-prime credit scores and choose these loans out of convenience or eligibility reasons.

## Typical Rates

The majority of the loan cost is not subject to a maximum limit. Fees charged to borrowers by the CAB typically depend on the amount of the loan and the length of the term. CAB agreement terms are limited to 180 days or less. The entire loan may be due in a matter of days, or the loan may be due over several equal payments. Refinancing or renewing payday and title loans is very common and can add to the cost.

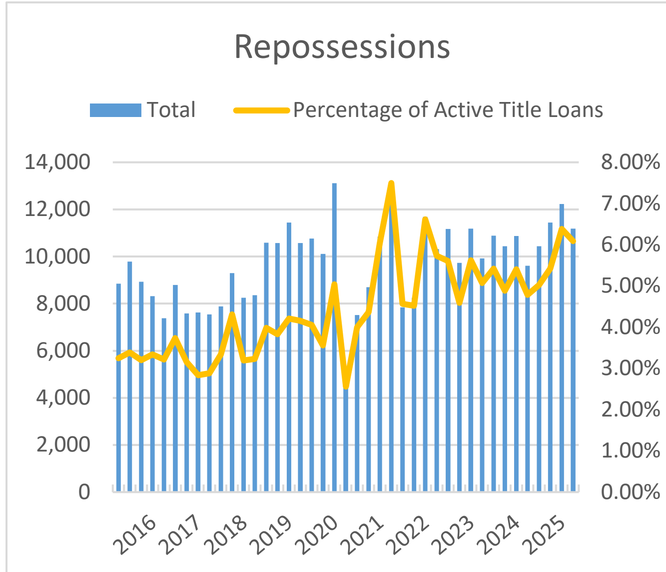
| SECTION | DETAILS |
|---|---|
| **ALLOWABLE CHARGES** | • Fees charged by broker are uncapped (lender interest is 10% or less)<br>• APR can routinely exceed 400%<br>• Late charge is 5% of payment or $7.50 (whichever is greater); may be assessed 10 days after the due date |
| **LOAN TERMS** | • No maximum loan amount (typically $400–$1,200)<br>• Loan terms range from 3 to 180 days<br>• Entire amount may be due in a single payment |

## Default

Borrowers who use title loans risk losing their motor vehicle if they do not repay as agreed. Borrowers can be held responsible for any remaining deficiency balance after the vehicle is sold. Creditors may file suit to collect unpaid amounts. Borrowers may also incur attorney fees, repossession fees, and court costs that are added to the total amount owed.

Repossessions of motor vehicles in the CAB title loan market are reported quarterly and have historically averaged about 9,700, or roughly 4.2 percent of active title loans. Repossessions spiked to around 13,100 in Q1 2020, then dropped sharply in Q2 2020 as lenders granted accommodations and federal stimulus and forbearance programs reduced borrower distress.

In recent years, repossessions have leveled off near 10,000 per quarter, but the percentage of active title loans ending in repossession remains above prior norms, even as the number of active title loans has declined.




## Alternatives

Payday and title loan borrowers generally pay a high rate for their credit and may run into eligibility issues with other products. Possible alternatives are pawn loans, small installment loans, employer loans, or other competitive small-dollar loan products sometimes offered by credit unions or nonprofit organizations.

## Data Limitations

CABs are a specific subset of a broader classification of businesses registered as Credit Service Organizations (CSOs) with the Texas Secretary of State. In 2019, the Texas Attorney General issued an opinion stating that CSOs that are not CABs may assist consumers in obtaining extensions of credit as long as the credit products are not deferred presentment transactions or motor vehicle title loans and otherwise comply with applicable law (Attorney General of Texas, 2019).

CSOs that are not CABs might therefore: (1) choose not to obtain OCCC licenses, (2) fall outside the scope of OCCC compliance examinations, and (3) avoid reporting transaction data to the OCCC. As a result, the transaction counts, loan volumes, and fee data in this report reflect only those products arranged by licensed CABs and may understate the overall level of high-cost, small-dollar credit arranged through CSOs in Texas.

## Business Structure Risk

Since FY 2019, the number of companies licensed as CABs decreased by 45 percent. Industry consolidation and the growth of internet lending account for some of this decline, but a portion also reflects companies that previously held CAB licenses and now operate solely as CSOs, relying on the 2019 Attorney General opinion to arrange other forms of consumer credit without being licensed as CABs.

This strategy creates business and compliance risk. The AG opinion is highly specific to the facts presented and does not endorse any particular business model. CSOs that broadly apply it without careful legal analysis, documentation, and internal controls may face the risk that their activities are later characterized as CAB transactions or as attempts to evade CAB licensing and reporting requirements. These structural choices can also reduce the visibility of some extensions of credit in OCCC examination and reporting systems, complicating supervisory risk assessments and creating uncertainty for consumers about the level of oversight that applies to their loans.

## CAB Activity Summary – Report Year 2024

**Product Types:**
SPDP = Single-Payment Deferred Presentment
IDP = Installment Deferred Presentment
SPAT = Single-Payment Auto Title
IAT = Installment Auto Title

| Description | SPDP | IDP | SPAT | IAT |
|---|---|---|---|---|
| CAB Fees Charged (Annual Total) | $42,586,394 | $1,301,466,347 | $236,689,458 | $449,361,228 |
| CAB Repaid Third-Party Lender Under Guaranty | 55,633 | 735,108 | 72,134 | 46,459 |
| Consumers Assisted in Obtaining Credit | 68,854 | 941,351 | 65,414 | 93,936 |
| Refinances Originated in Report Year | 93,504 | 207,598 | 145,373 | 69,834 |
| Total Dollar Amount of Extensions | $102,283,336 | $869,756,045 | $192,775,908 | $197,975,209 |
| Total Dollar Amount of Refinances | $82,420,407 | $311,083,308 | $471,280,183 | $237,320,086 |

## Refinances Prior to Payoff

| Description | SPDP | IDP | SPAT | IAT |
|---|---|---|---|---|
| Extensions Paid in Full Without Refinancing | 122,303 | 800,686 | 11,051 | 36,216 |

| Refinancing Frequency | SPDP | IDP | SPAT | IAT |
|---|---|---|---|---|
| Refinanced 1 time | 28,313 | 51,947 | 969 | 6,054 |
| Refinanced 2–4 times | 36,933 | 31,944 | 7,269 | 9,262 |
| Refinanced 5–6 times | 1,965 | 3,173 | 3,147 | 1,438 |
| Refinanced 7–10 times | 1,965 | 1,788 | 4,042 | 1,340 |
| Refinanced more than 10 times | 2,128 | 1,057 | 7,485 | 2,130 |

## New Extensions by Cash Advance Amount (Count)

| Cash Advance Amount | SPDP | IDP | SPAT | IAT |
|---|---|---|---|---|
| $0–$250 | 59,854 | 263,071 | 16,376 | 6,737 |
| $251–$500 | 81,162 | 454,865 | 24,361 | 18,738 |
| $501–$750 | 23,414 | 244,068 | 15,249 | 14,477 |
| $751–$1,000 | 18,403 | 226,197 | 16,165 | 18,767 |
| $1,001–$1,500 | 17,322 | 132,753 | 17,772 | 20,945 |
| $1,501–$2,000 | 3,414 | 32,821 | 11,528 | 14,158 |
| $2,001–$2,500 | 14 | 18,354 | 6,622 | 8,363 |
| $2,501–$3,000 | 3 | 4,099 | 5,359 | 6,160 |
| $3,001–$5,000 | 0 | 123 | 8,850 | 9,409 |
| $5,001–$7,500 | 0 | 3 | 3,193 | 2,481 |
| Over $7,500 | 0 | 0 | 2,600 | 1,900 |

## New Extensions by Cash Advance Amount (Dollar Amount)

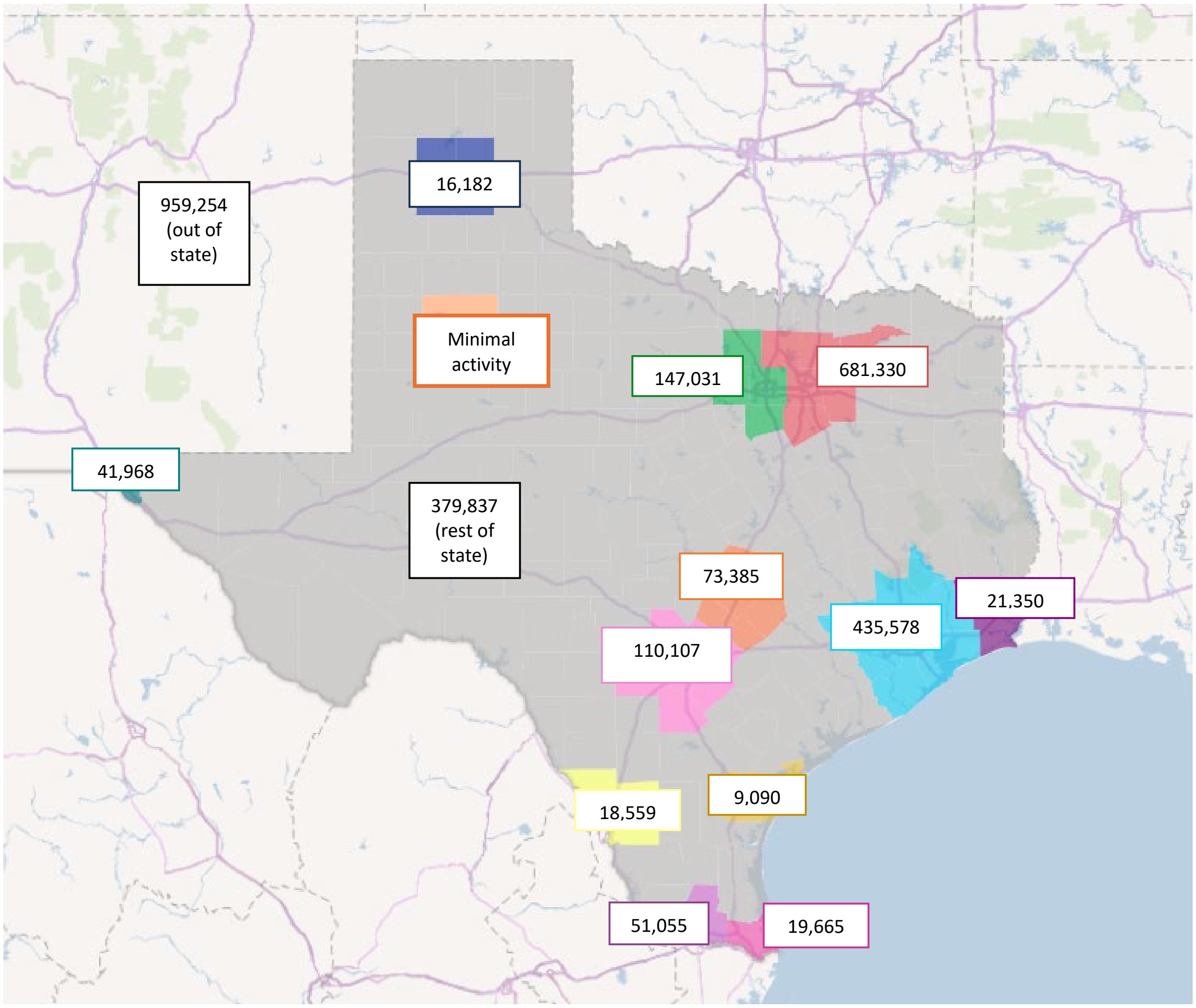
| Cash Advance Amount | SPDP | IDP | SPAT | IAT |
|---|---|---|---|---|
| $0–$250 | $10,383,302 | $40,095,013 | $2,655,836 | $1,165,650 |
| $251–$500 | $31,066,215 | $183,312,411 | $9,796,661 | $7,739,544 |
| $501–$750 | $14,627,315 | $155,297,015 | $9,604,409 | $9,158,095 |
| $751–$1,000 | $16,814,522 | $207,546,579 | $14,834,428 | $17,338,322 |
| $1,001–$1,500 | $22,951,973 | $166,938,790 | $22,656,837 | $26,893,695 |
| $1,501–$2,000 | $6,400,206 | $59,997,916 | $20,802,432 | $25,777,378 |
| $2,001–$2,500 | $30,743 | $44,122,890 | $15,151,372 | $19,255,172 |
| $2,501–$3,000 | $9,000 | $11,968,404 | $15,229,348 | $17,322,801 |
| $3,001–$5,000 | $0 | $459,022 | $34,967,907 | $37,200,821 |
| $5,001–$7,500 | $0 | $18,000 | $11,571,744 | $14,992,509 |
| Over $7,500 | $0 | $0 | $27,504,451 | $20,921,043 |

## Reporting Coverage

During the report year, 1,524 CAB-licensed locations filed a report:

- 304 reported SPDP activity
- 494 reported IDP activity
- 511 reported SPAT activity
- 574 reported IAT activity

## Number of CAB Transactions in 2024 by Locality




*Data is cumulative obtained from 2024 CAB quarterly reports, item 10f* https://occc.texas.gov/publications/activity-reports

# Motor Vehicle Sales Finance (348)

## Overview

Many motor vehicle dealers offer financing directly at their dealership. These retail installment transactions involve two parties: (1) a retail seller and (2) a retail buyer. The retail installment contract is either immediately assigned to a separate holder or serviced by the selling dealer.

Franchised dealers are authorized to sell new cars and maintain an affiliation with a specific auto manufacturer. Financing arranged through a franchised dealership is usually assigned to a captive finance company of the manufacturer or an independent acceptance company. These dealers are usually found on frontage roads of major highways.

Independent dealers exclusively sell used cars. Financing is often in-house or referred to as "buy-here pay-here." Size and location vary, but many are very small businesses located throughout cities and towns.

## Type of Customer

Franchised and independent dealers attract customers based on their type of inventory. A franchised customer is in the market for a new or certified pre-owned car, has disposable income to cover monthly payments, and has an average to excellent credit score. There is usually more underwriting involved at a dealer that assigns contracts than one that collects payments themselves. Buyers at franchised dealerships can often negotiate lower rates, sometimes as low as zero percent. Independent dealers often do not perform credit checks and rely on current income or down payment affordability to underwrite the transaction.

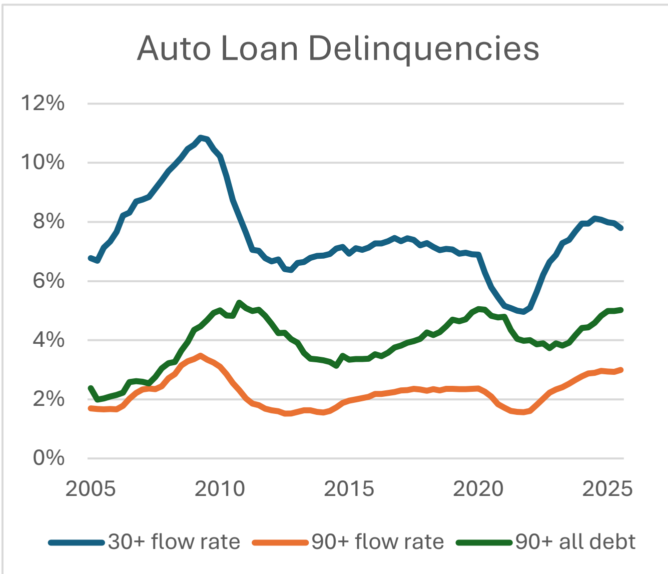
## Typical Rates

The maximum allowable rates for motor vehicle sales finance are determined by statute as add-on rates (e.g. $15 of finance charge per $100 financed per year). Most dealerships convert the add-on rates to equivalent rates that depend on term of the contract and age of the vehicle.

| SECTION | DETAILS |
|---|---|
| **MAXIMUM RATES** | • 18% for new cars<br>• ~18% for cars one to two years old<br>• ~22% for cars three to four years old<br>• ~26% for cars five years and older |
| **OTHER CHARGES** | • 5% late fee for payments more than 15 days late<br>• Actual government fees for taxes, title, license, inspection<br>• Documentary fee ($225 or less is automatically considered reasonable)<br>• Ancillary products may be purchased<br>• Out-of-pocket expenses are required for repossession of the vehicle |

## Default

A buyer risks repossession for late payment, failing to maintain insurance, filing for bankruptcy, or any other provision of default. In addition to losing the vehicle, a repossession can negatively impact a consumer's credit history. The buyer might be required to pay the entire amount owed and not just the past due amount to redeem their vehicle.




Source: New York Fed Consumer Credit Panel/Equifax

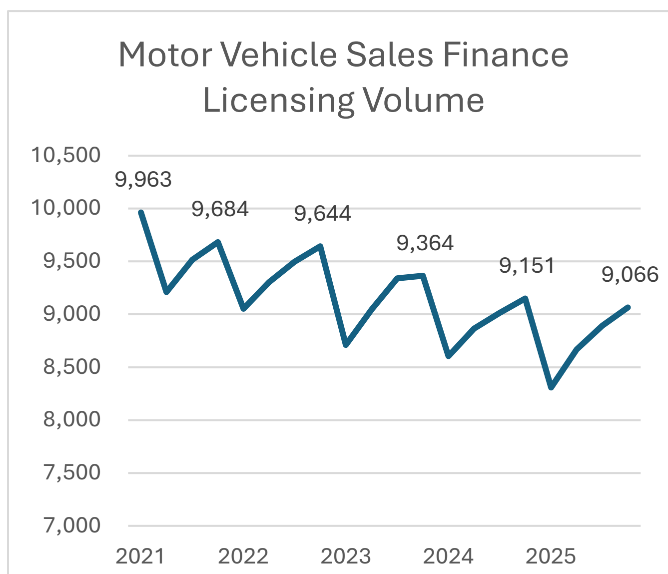
The share of auto loan balances in serious delinquency has risen above pre-pandemic levels, and the flow of borrowers newly transitioning into delinquency continues to increase, driven by elevated vehicle prices, higher monthly payments, and longer loan terms.

## Alternatives

Instead of obtaining financing through a dealership, prospective buyers can first shop for car loans at banks and credit unions. If a buyer's application is approved by an outside financial institution, rates can then be negotiated at the dealership. If the buyer's outside financing is more favorable the buyer can provide the loan approval to the dealer for up to the approved amount.

## Motor Vehicle Sales Industry Data

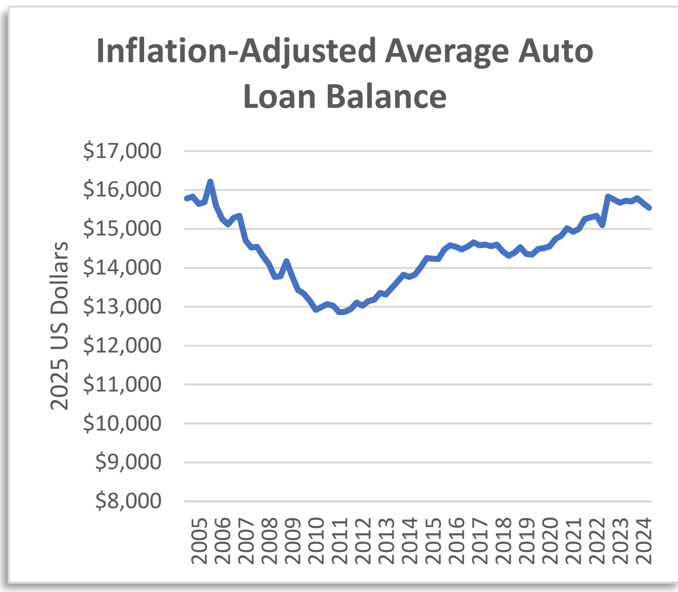
The OCCC will begin collecting data from motor vehicle sales finance dealers who hold a chapter 348 license in June of 2026. Until then, industry monitoring is primarily completed through complaints, examinations, stakeholder meetings, and changes in license levels. The highest licensing levels occur in Q4 of each fiscal year. The chart shows the peak licensing levels for the last five years. License volumes were steadily increasing before the COVID-19 pandemic but have been on a slight downward trend ever since.



## National Trends

United States motor vehicle sales increased from 2009 to 2016, but rising vehicle prices may have capped consumer enthusiasm in the ensuing years. Seasonally adjusted sales stagnated from 2016 through 2019, in the 17–18 million vehicle range. In 2020, supply chain disruptions significantly impacted total vehicle sales. Today, total vehicle sales are on a steady upward trend to pre-pandemic levels.

Prices of both new and used vehicles today remain significantly elevated above historical norms. Additionally, interest rates have increased substantially as the Fed continues its efforts to combat inflation. This year, new car prices are still high, with the average transaction price around $48,397. However, used car prices have decreased significantly, with the average price now at $25,571.



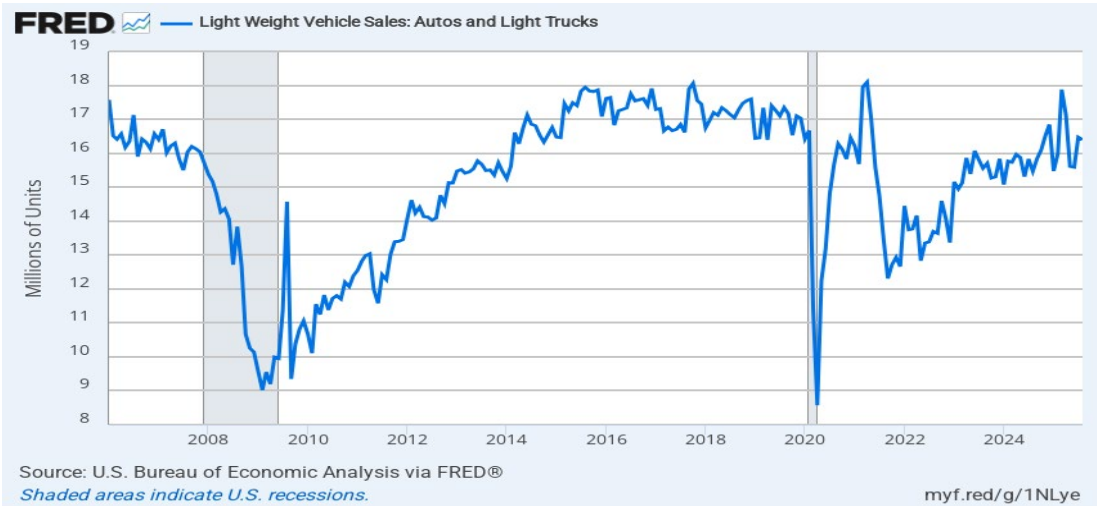

(Source: Federal Reserve Bank of New York, 2025, HHD&C. Analysis uses September 2025 as the base year = 100 (CPI-U).)

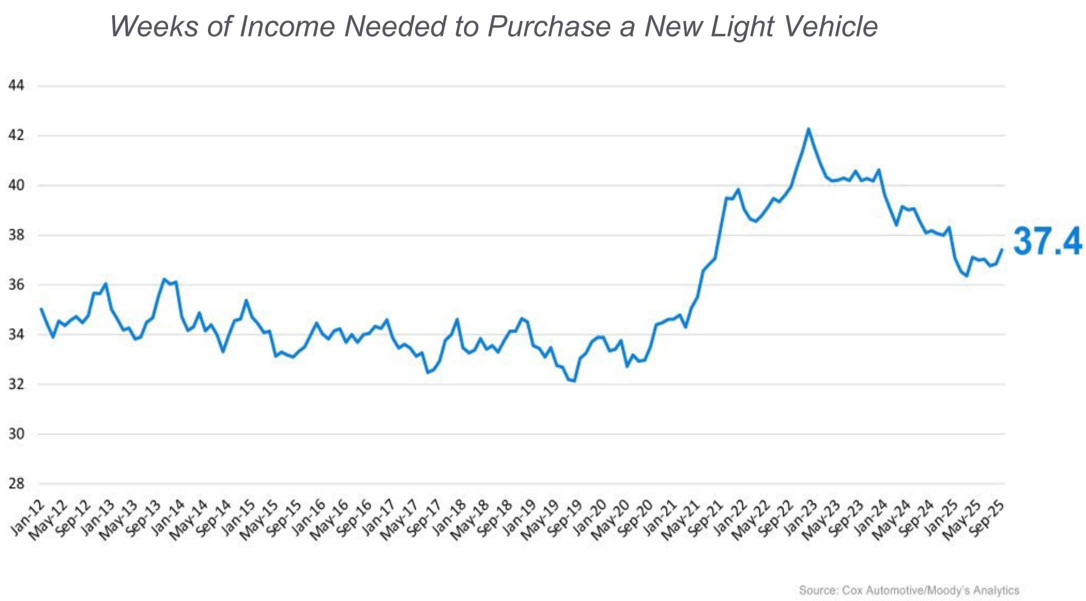
## Average Auto Loan Amount

The average auto loan balance has increased over the past decade, reaching approximately $15,036 in 2024 Q2. When viewed in nominal terms, this increase reflects both rising vehicle prices and a shift toward longer loan terms. However, when adjusting for inflation, the upward trend is more modest. The inflation-adjusted average balance is only about $1,800 higher than it was ten years ago, indicating that a portion of the growth in loan balances is attributable to general price inflation rather than a real increase in borrowing capacity or vehicle financing burden. In other words, while nominal loan amounts have risen steadily, the real (inflation-adjusted) cost of auto loans has increased at a much slower pace. This distinction is important for evaluating how consumer debt burdens have changed over time.

## Motor Vehicle Sales

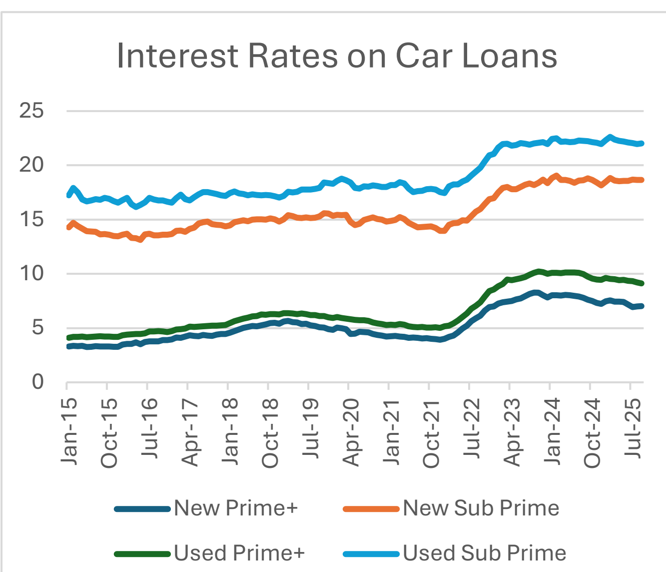
Motor vehicle sales recovered steadily after the Great Recession and remained near 17 million units annually until about 2015. Sales then fluctuated within a narrow range before experiencing a sharp decline in 2020 due to pandemic-related supply chain disruptions. Over the past two years, total vehicle sales remained close to 16 million units per year. However, affordability challenges remain, as average transaction prices reached record highs and the number of weeks of median household income needed to purchase a new vehicle increased, according to the Cox Automotive and Moody's Analytics Vehicle Affordability Index (September 2025)




## Interest Rates for New Cars

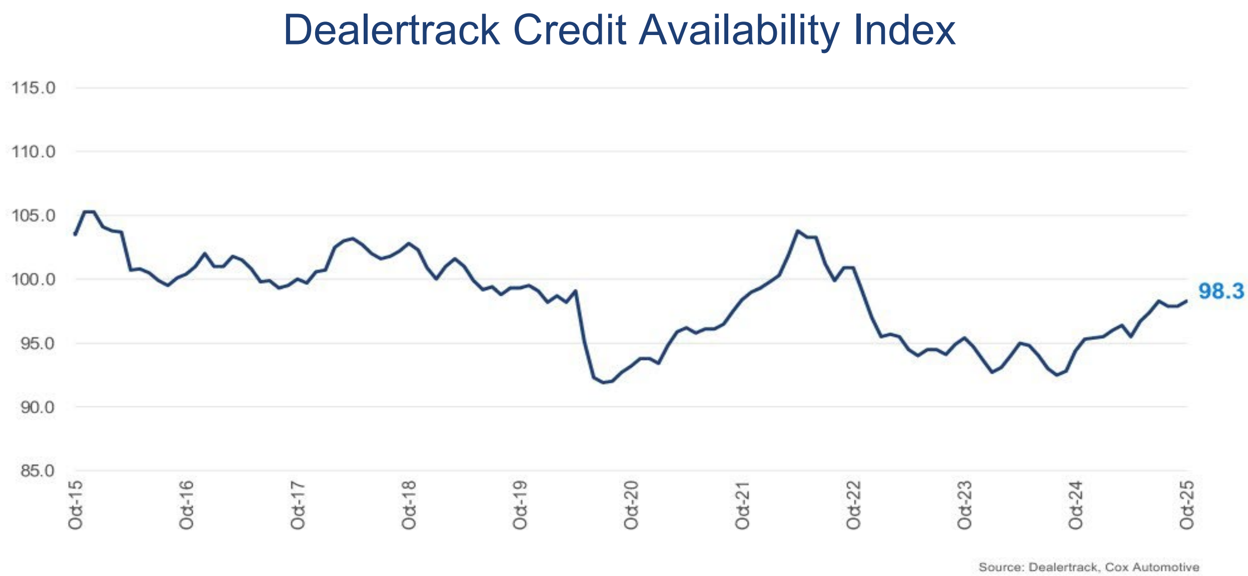
Interest rates for car loans have increased sharply since the Federal Reserve began raising benchmark rates to combat inflation in early 2022. Data from Cox Automotive's *Market Snapshot* (Dealertrack) show that average new-vehicle loan rates for prime borrowers have roughly doubled, rising from around 4 percent in 2021 to about 8 percent in 2025. Subprime rates climbed even more steeply, exceeding 18 percent and remaining elevated. The sustained high cost of auto credit continues to affect affordability and monthly payment levels, particularly among borrowers with lower credit scores.




Source: Cox Automotive, *Market Snapshot – Interest Rates on Car Loans* (Dealertrack data), accessed November 2025

## Availability

Auto finance credit conditions expanded in October 2025, showing a year of gradual improvement in borrower access. The Dealertrack Credit Availability Index rose to **98.3**, up 0.4 points from September and 4.1 percent year-over-year (*Cox Automotive, Dealertrack Credit Availability Index — October 2025*).




For Texas dealers, this environment means that more consumers, particularly subprime and lower-equity buyers, are able to finance vehicles despite high prices and elevated rates. Subprime loans grew to 15.1 percent of originations, and loans exceeding 72 months rose to 27.5 percent. Down payments fell to 13.3 percent, suggesting borrowers are stretching affordability as dealers and holders ease credit standards.

At the same time, the share of vehicles with negative equity increased to 54.2 percent. This creates greater challenges for consumers when they trade in vehicles for their next purchase, as more buyers now owe more than the vehicle's market value. If credit conditions tighten or interest rates rise further, many buyers could find it difficult to roll negative equity into new loans or qualify for favorable terms. The growing gap between vehicle values and outstanding balances may therefore limit purchasing power and increase repayment risk in future transactions.

## Loan Comparisons – Examples of Pricing and Restrictions

National consumer surveys indicate that many households face unexpected expenses in the range of $1,000 to $2,000. For this report, an average emergency expense of approximately $1,500 is used as a benchmark. Even at this level, many consumers are not financially prepared. For example, about 37 percent of adults report they could not cover a $400 emergency expense with cash or its equivalent (Federal Reserve 2024). Analyses from the JPMorgan Chase Institute similarly show that only about one-third of lower-income households could absorb a $1,600 expense without turning to credit (JPMCI 2023).

The OCCC licenses five types of loans a consumer might turn to in the case of an unexpected $1,500 expense. Also compared are options of using cash savings or a credit card.

| FEATURES | Cash Savings | Credit Card | 342-E (larger installment loans) | 342-F (small installment loans) | 371 (pawn loans) | 393 Title Loan* | 393 Payday Loan* |
|---|---|---|---|---|---|---|---|
| Example APR[3] | 0% | 22% | 44% | 92% | 180% | 262-366% | 365-496% |
| Example Payment[4] | $1,500 | 11 pmts $28<br>1 pmt $1,521 | 12 pmts $157 | 12 pmts $195 | 11 pmts $225<br>1 pmt $1,725 | 11 pmts $327<br>1 pmt $1,827 | 11 pmts $457<br>1 pmt $1,957 |
| Example Finance Charge | $0 | $329 | $381 | $845 | $2,700 | $3,921 | $5,486 |
| Total Repayment | $1,500 | $1,829 | $1,881 | $2,345 | $4,200 | $5,421 | $6,986 |
| Security Required | | | | | Personal Property | Car Title | Check or ACH |
| Consumer Protections | | | | | | | |
| Ability to Repay Analysis | N/A | | ✓ | ✓ | | | |
| Additional Fees limited | N/A | | ✓ | ✓ | ✓ | | |
| Discount of Finance Charge for Early Payoff | N/A | ✓ | ✓ | ✓ | ✓ | | |
| Contracts are written in plain language | N/A | | ✓ | ✓ | ✓ | | |
| Eligible to Military[5] | N/A | ✓ | ✓ | | | | |
| No ancillary products allowed | N/A | | | ✓ | ✓ | | |

[3] CAB APR is estimated from average fees reported to the OCCC in 2024 Data reports of installment payment transactions. APR would be the lower limit if structured as fee only payments in the example and the higher limit if equal amortizing payments. Other examples assume legal limits of fees and interest. (https://occc.texas.gov/publications/activity-reports)

[4] Pawn payments assume extension fees are paid every month. CAB payments of installment payment transactions refinanced each term due date (4 and 5 months) with only accrued finance charge paid until payoff. Payments rounded to whole dollars.

[5] 10 U.S. Code §987 restricts loan terms to members of the military including a "all-in" APR limit of 36%. Not all 342-E loans are eligible but are the most likely option.

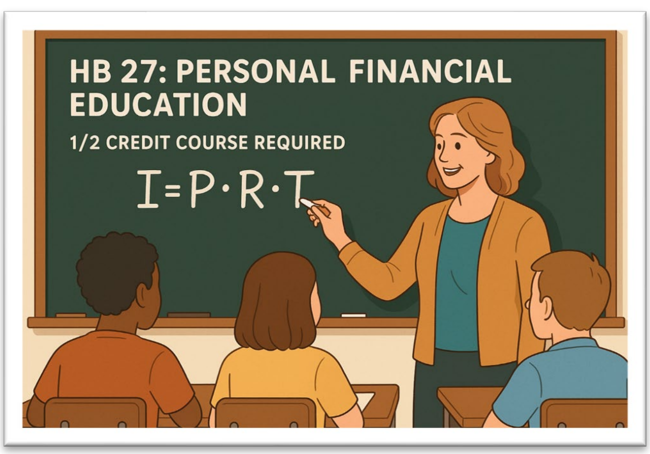
# Financial Education

The OCCC works with community organizations, partner agencies, and non-profit groups to encourage practical ways financial education can be delivered throughout the state. It is a priority for the OCCC to ensure that people have the knowledge, skills, and abilities to make informed, responsible, and confident financial decisions. Throughout fiscal year 2025, the OCCC delivered comprehensive education services to 1,101 participants through 25 different programs, including courses on Building a Better Budget, Financial Fitness, and Avoiding Financial Exploitation.

The OCCC administers the Texas Financial Education Endowment (TFEE) grant. TFEE is a two-year competitive grant that provides reimbursement for allowable expenses related to financial education across the categories of Financial Coaching, K-12 Financial Education, and Adult Financial Education. The OCCC is currently administering the 2024-2025 grant cycle. To date, this cycle has reimbursed $433,683.97 to ten organizations that have provided financial education services to nearly 8,000 unduplicated individuals. The 2024-2025 grant cycle ends on December 31, 2025, and final reimbursement amounts and participant totals will be available in the spring of 2026. On the horizon is the 2026-2027 TFEE grant cycle, which kicks off on January 1, 2026. The Finance Commission of Texas recently awarded $830,321.90 in aggregate grant awards to ten organizations and this new grant cycle will run through December 31, 2027.

## High School Personal Financial Education Graduation Requirement

During the 89th legislative session, HB 27 was passed, requiring students to complete a one-half credit course in personal financial education. This requirement is separate from economics and received broad support during the legislative session. The OCCC has recently begun outreach related to this new requirement, as school districts work to implement the new curriculum. This course requirement applies to students entering high school in 2025-2026 and is a significant step to ensure high school graduates have the necessary skills to understand budgeting, savings, credit management, and other essential personal finance skills. The potential benefits for schools, students, and the overall Texas economy are substantial.

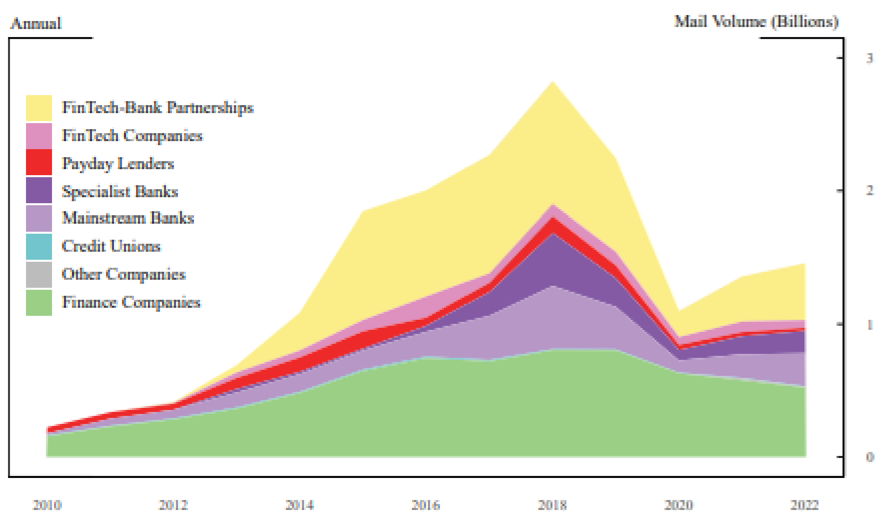


# Emerging Issues and Innovation
## Bank–Fintech Loan Partnerships and Interest-Rate Exportation

One trend in the consumer-lending landscape is a shift toward partnerships between financial-technology companies and out-of-state banks. One noted result of the shift is the consolidation of branch networks and market players.  As companies pivot investment from brick-and-mortar branches to digital platforms, the number of licensed locations declines even as overall regulated activity may continue to grow.  This shift may yield efficiency gains for companies while better serving a new generation of consumers who use digital marketplaces and seek greater choice.

In these arrangements, a fintech platform markets, processes, or services the loan, while the bank is the named lender and applies the interest rate allowed under its home-state laws. In November 2025, the U.S. Court of Appeals for the Tenth Circuit issued a decision in National Association of Industrial Bankers v. Weiser addressing state authority to limit interest rates charged by state-chartered banks lending to residents within the state. The case involved Colorado's enactment of an opt-out statute under section 1831d of the Depository Institutions Deregulation and Monetary Control Act (DIDMCA). The appellate decision indicates that states that enact a valid opt-out under section 1831d may apply their own interest rate limits to loans made to residents of the state regardless of the lender's location. The plaintiffs might appeal the decision or request that the Tenth Circuit rehear the case.

Figure 2. Personal Loan Offer Mail Volume




Source: Mintel Comperemedia data as reported in Federal Reserve Board, "The Rise of FinTech Lending: Evidence from Direct Mail," Finance and Economics Discussion Series 2023-057 (2023).

Recent Federal Reserve analysis shows that partnerships between financial technology firms and depository institutions have become a major channel for unsecured personal loans. A 2023 *Federal Reserve Finance and Economics Discussion Series* paper found that 34 percent of all mailed personal-loan solicitations came from FinTech–Bank partnerships, which could be viewed as a proxy for market share or growth across lender types (Federal Reserve Board, *"The Rise of FinTech Lending: Evidence from Direct Mail,"* FEDS 2023-057, 2023). These partnerships rely heavily on the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA), which allows state-chartered banks to "export" interest rates permitted in their home state to borrowers nationwide.

Mail volume from FinTech-Bank partnerships rose sharply in the late 2010s, surpassing traditional banks and credit unions before moderating after 2020. This trend underscores the degree to which FinTech lenders depend on bank partners' federal preemption authority to reach consumers in states with lower interest-rate caps. These companies entering or exiting have the potential to quickly reshape the composition of the personal-loan market.

## AI-Driven Underwriting and Automated Credit Decisioning

Artificial-intelligence (AI) and machine-learning (ML) technologies are increasingly used by lenders to automate credit decisioning, assess applicant risk, and streamline loan processing. These models evaluate traditional credit data along with newer indicators such as cash-flow patterns, transaction histories, and aggregated account information. Their use has expanded across personal loans, motor-vehicle finance, subprime products, and online installment lending.

A 2025 review by the U.S. Government Accountability Office found that financial institutions are moving toward more complex AI underwriting models, and regulators have flagged three recurring concerns: reduced model explainability, potential fair lending impacts, and weaknesses in model governance practices (GAO 2025). At the state level, the Texas Legislature enacted HB 149 in 2025, establishing requirements for businesses and agencies that use AI, including a prohibition on using an AI system with the intent to unlawfully discriminate against a protected class in violation of state or federal law. Creditors that use AI for underwriting are subject to existing laws that prohibit discrimination based on protected classes and require creditors to disclose specific reasons for credit denials.

AI-enabled underwriting may provide meaningful benefits:

- Faster processing and more consistent decisions across channels
- Reduced manual error in data entry or review
- Potential expansion of access for applicants with thin credit files through the use of additional behavioral indicators
- Improved fraud detection and identity-verification capabilities

However, these advances also introduce important compliance and supervisory considerations:

- Reduced transparency, making it difficult to explain credit decisions
- Potential disparate impacts if correlated or alternative data operates as a proxy for protected characteristics
- Model drift, where performance changes over time without detection
- Data-quality issues that may be amplified at scale through automation
- Vendor-management challenges, particularly when third-party model providers limit access to underlying logic or training data

As lenders continue adopting automated systems, effective model-risk governance, monitoring of consumer outcomes, and clear documentation remain important to ensure that AI-driven underwriting operates in a fair, accurate, and explainable manner.

## Reporting Requirements

The report has been prepared in response to and fulfills certain statutory and administrative regulation requirements.[6]

Texas Finance Code, Sec. 11.305. Research

(a) The consumer credit commissioner shall establish a program to address alternatives to high-cost lending in this state. The program shall:

(1) study and report on high-cost lending, including the availability, quality, and prices of financial services offered in this state to individual consumers in this state; and

(2) evaluate alternatives to high-cost lending and the practices of business entities in this state that provide financial services to individual consumers in this state.

(b) The program may:

(1) apply for and receive public and private grants and gifts to conduct the research authorized by this section;

(2) contract with public and private entities to carry out studies and analyses under this section;

(3) provide funding for pilot programs, and

(4) make grants to nonprofit institutions working to provide alternatives to high-cost loans.

(c) Not later than December 1 of each year, the consumer credit commissioner shall provide to the legislature a report detailing its findings and making recommendations to improve the availability, quality, and prices of financial services.

## AI Usage Disclosure

This report was prepared with limited assistance from generative AI tools to support writing tasks such as proofreading, plain-language edits, and summarization of publicly available materials. Generative AI tools also assisted in creating certain illustrative images and stylistic graphics included in the report. The author reviewed AI-assisted text for accuracy, relevance, and appropriateness. The author verified key factual statements against original sources and finalized all language, conclusions, and design choices. AI tools were not used to make policy determinations, render legal conclusions, or replace professional judgment, and confidential or nonpublic information was not intentionally entered into the tools

[6] Texas Finance Code §351.164
Texas Finance Code §342.559
7 Texas Administrative Code §85.502