



Political Capital:

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Payday-Funded Pols Push Tepid Loan Reforms

Led by Speaker, Officials Take Almost \$4 Million from Predatory Lenders

Advocates trying to reform Texas' runaway predatory lenders have been hamstrung by the awkward degree to which this industry finances political campaigns.

Loan sharks have invested almost \$4 million in Texas' past two elections. Public officials recently doubled their industry indebtedness, jumping from \$1.1 million in 2008 to \$2.3 million in 2012. During that period, out-of-state predatory lenders ramped up their share of the industry's Texas campaign expenditures to 27 percent.¹

Mind the terms when accepting money from loan sharks. The industry paid politicians \$5 million to ensure that it will continue to have its evil way with the most desperate and least sophisticated borrowers. So far it has been money well spent, though the industry has done better in the legislature than the ballot box.

During the [2011 session](#) lawmakers rejected real reforms introduced by Sen. Wendy Davis in

favor of a negligible package sponsored by then-House Financial Services Committee Chair Vicki Truitt.

The industry's massive investment in Sen. Davis's failed 2012 challenger made Mark Shelton the legislature's No. 2 recipient of predatory-lender cash after House Speaker Joe Straus. Meanwhile, GOP primary voters threw out the legislature's No. 4 recipient of loan-shark cash. Now [lobbying](#) for payday lender ACE Cash Express, Rep. Truitt did not roll far from the money tree.

Texas' Predatory-Loan Contributions

Election Cycle	Total Contributions	Out-of-State Percentage
2010	\$1,449,739	11%
2012	\$2,285,435	27%
TOTALS	\$3,734,174	22%

Top Recipients of Predatory-Lender Money, 2009 Through 2012

Recipient	Amount	Favorite Loan Shark(s)
Joe Straus	\$311,516	TX Consumer Lenders PAC
David Dewhurst	\$232,500	TX Consumer Finance Assn.
Rick Perry	\$187,810	TX Consumer Finance Assn.
Greg Abbott	\$158,500	Trevor Ahlberg (Cottonwood Financial)
Mark M. Shelton	\$144,775	TX Consumer Lenders PAC
John J. Carona	\$140,000	Rod & Leslie Aycox (Select Mgmt Resources)
Vicki Truitt	\$83,233	TX Consumer Lenders PAC
Mex. Am. Legislative Caucus	\$60,500	Cottonwood Financial Admin. Services
Todd A. Hunter	\$53,500	Rod & Leslie Aycox (Select Mgmt Resources)
Craig Estes	\$53,250	Trevor Ahlberg (Cottonwood Financial)
Dan Flynn	\$50,500	Trevor Ahlberg (Cottonwood Financial)
Kelly Hancock	\$49,500	Trevor Ahlberg (Cottonwood Financial)
TX House Leadership Fund	\$48,000	TX Consumer Lenders PAC
Tommy Williams	\$43,000	Trevor Ahlberg (Cottonwood Financial)
Kirk P. Watson	\$42,500	EZCorp., Inc. PAC
Troy Fraser	\$42,000	Trevor Ahlberg (Cottonwood Financial)
Charles L. Geren	\$38,500	TX Consumer Lenders PAC
W. 'Ken' Paxton	\$37,500	Trevor Ahlberg (Cottonwood Financial)
Kevin P. Eltife	\$36,000	Trevor Ahlberg (Cottonwood Financial)
Larry Taylor	\$36,000	Trevor Ahlberg (Cottonwood Financial)
Glenn A. Hegar, Jr.	\$33,500	Trevor Ahlberg (Cottonwood Financial)
Robert Lee Nichols	\$31,500	Trevor Ahlberg (Cottonwood Financial)
Chris Harris	\$31,500	Trevor Ahlberg (Cottonwood Financial)
Linda L. Harper-Brown	\$30,500	Trevor Ahlberg (Cottonwood Financial)
Kelton G. Seliger	\$30,000	Trevor Ahlberg (Cottonwood Financial)
TX Legislative Black Caucus	\$30,000	Advance America
'Chuck' L. Hopson II	\$29,700	Trevor Ahlberg (Cottonwood Financial)
Dan Patrick	\$29,500	Trevor Ahlberg (Cottonwood Financial)
Dan Branch	\$29,500	Trevor Ahlberg (Cottonwood Financial)
'Eddie' A. Lucio, Jr.	\$29,000	TX Consumer Lenders PAC
Jane Nelson	\$28,500	Ace Cash Express PAC
Rafael M. Anchia	\$27,250	TX Consumer Lenders PAC
Gary Elkins	\$27,000	EZCorp., Inc. PAC
Repub. State Leadership Com.	\$26,660	Dennis/David/Robin/Sara Bassford (MoneyTree)
Juan 'Chuy' Hinojosa	\$26,000	Trevor Ahlberg (Cottonwood Financial)
James R. Pitts	\$25,500	Trevor Ahlberg (Cottonwood Financial)
Susan Combs	\$25,050	EZCorp., Inc. PAC/TX Consumer Finance Assn.
Charles 'Doc' Anderson	\$25,000	Trevor Ahlberg (Cottonwood Financial)
Leticia Van De Putte	\$24,800	TX Consumer Lenders PAC
Drew Darby	\$24,500	Trevor Ahlberg (Cottonwood Financial)
Charles Schwertner	\$24,250	Trevor Ahlberg (Cottonwood Financial)
Jonathan R. Cole	\$22,800	Trevor Ahlberg (Cottonwood Financial)
Bob Deuell	\$22,600	Trevor Ahlberg/TX Consumer Finance Assn.
Joan Huffman	\$21,500	Trevor Ahlberg (Cottonwood Financial)
Nathaniel 'Tan' Parker	\$21,000	Ace Cash Express PAC
TX Assn. of Business & Commerce	\$20,500	Trevor Ahlberg/TX Consumer Lenders PAC

Note: The recipients above received 68 percent of all predatory-lender money.

Although Texas prohibits usurious interest rates, companies dodge these protections by organizing as unregulated middlemen. So-called “credit service organizations” link borrowers to lenders, who comply with state interest-rate caps. After the middlemen tag on exorbitant fees and arrange repeated rollovers, however, loans secured by paychecks or car titles can carry annual effective interest rates exceeding 1,000 percent.

Sen. Davis tried to tackle this problem head-on in 2011 with her failed bid to subject credit service organizations to state usury laws and to prohibit fee-intensive rollovers of loans.² The legislature’s inability to act has prompted local governments across the state to enact their own consumer protections.³ Such local-government controls would be preempted under the main predatory-lending legislation pending in Austin.

[Senate Bill 1247](#) by Senate Business and Commerce Committee Chair John Carona—the legislature’s No. 3 recipient of predatory-loan money—does not enforce usury laws or redress the loophole for credit service organizations. Like an identical bill by House Financial Services Chair Mike Villareal ([House Bill 2706](#)), it would cap payday loans at a hefty 20 percent to 35 percent of a borrower’s monthly income. The bills would permit up to four refinancings, depending on the type of loan.⁴ The proposals generally subject loans secured by a borrower’s vehicle to even more indulgent terms.⁵

When a borrower cannot legally refinance a loan again, lenders would have to offer payment plans that prohibit new loans or fees. The bills contain comforting language about discouraging consumers from trying to juggle multiple predatory loans or borrowing more money than they can repay. But a lack of meaningful tracking or enforcement provisions renders this language virtually meaningless.

Sen. Davis and Rep. Eddie Rodriguez also have propped measures to force predatory middlemen to reveal information about the now-faceless,

third-party lenders who ultimately bankroll the loans.⁶ Lenders currently report such data to the state Office of Consumer Credit Commissioner. When the state Attorney General recently directed the state to release this data to the advocacy group Texas Appleseed, however, the industry filed a pending lawsuit, arguing that these details are private trade secrets.⁷

By far, the most politically active payday lender is Trevor Ahlberg of Irving-based Cottonwood Financial. This payday king single-handedly invested more than \$900,000 in Texas’ last two elections. “The Top Recipients of Predatory Lender Money” table on the preceding page shows that Ahlberg is the industry’s top contributor to most of the politicians who are most indebted to the predatory-loan industry. Lieutenant Governor David Dewhurst collected the biggest Ahlberg payday (\$60,000). Ahlberg’s Cottonwood Financial also is the industry’s top contributor to the Mexican American Legislative Caucus.

Two trade groups that doled out more than \$500,000 apiece are the industry’s next-biggest contributors. The \$62,500 that Lieutenant Governor David Dewhurst took from the Texas Consumer Finance Association makes him the top recipient of its largesse. Meanwhile, the Texas Consumer Lenders PAC was especially sweet on Speaker Straus, who scored \$76,000 from this trade group. This PAC raised just over \$700,000 in the 2012 cycle, collecting 43 percent of it in South Carolina, 33 percent in Texas and 24 percent in Ohio.

The industry made a huge play for Speaker Straus. The almost \$360,000 that it gave to the Speaker and his Texas House Leadership Fund accounted for 10 cents of every dollar that predatory lenders pumped into Texas politics. The industry gave more than \$200,000 to Dewhurst and more than \$100,000 apiece to Governor Rick Perry and Attorney General Greg Abbott. Such huge political paydays constrain what—if anything—will be done to protect the neediest Texans.

Texas' Top Predatory-Lender Contributors, 2009 through 2012

Amount	Contributor/Affiliation	City	Top Recipient(s)
\$904,200	Trevor Ahlberg/Cottonwood Financial	Irving	David Dewhurst
\$544,775	TX Consumer Lenders PAC	Arlington	Joe Straus
\$503,750	TX Consumer Finance Assn.	Austin	David Dewhurst
\$215,450	Rod & Leslie Aycox/Select Mgmt Resources	Alpharetta GA	Joe Straus
\$205,250	Cash America, Inc. PAC	Fort Worth	Joe Straus
\$163,450	ACE Cash Express PAC	Irving	Rick Perry
\$155,250	EZCORP, Inc. PAC	Austin	Joe Straus
\$133,500	Robert I. Reich/ Cmty. Loans of Am.	Deerfield FL	Joe Straus
\$100,250	Tracy Young/TitleMax/TMX Finance	Savannah GA	Greg Abbott
\$76,000	TX Assn. of Pawnbrokers PAC	Austin	Vicki Truitt
\$74,000	Advance America	Spartanburg SC	TX Legislative Black Caucus
\$51,500	Rent-A-Center, Inc. ⁸	Plano	Greg Abbott/David Dewhurst
\$49,550	Rick L. Wessel /First Cash Financial Svcs.	Colleyville	Joe Straus
\$33,500	Mark E. Speese/Rent-A-Center, Inc. ⁸	Plano	Texans For Lawsuit Reform
\$26,500	William M. Webster IV/Advance America	Spartanburg SC	Leticia Van De Putte
\$23,000	Douglas Rippel/Speedy Cash	Wichita KS	Mark M. Shelton
\$21,500	Cottonwood Fin'l Admin. Svcs.	Irving	Mex. Am. Legislative Caucus
\$19,167	Dan Adams/Capital Corp.	Greenville SC	Mark M. Shelton
\$18,500	Security Finance Corp. PAC	Spartanburg SC	Chuck Hopson
\$17,330	William 'Allan' Jones/Check Into Cash	Cleveland TN	Repub. State Leadership Com.
\$15,800	Patrick Dylan White/Fed'l Cash Advance	Dallas	Joe Straus
\$13,750	Daniel Wolfberg/PLS Financial Services	Winnetka IL	Four-way tie
\$11,750	Robert Wolfberg/PLS Financial Services	Glencoe IL	Four-way tie
\$11,667	Lee Schear/Cashland/Schear Financial	Dayton OH	Joe Straus
\$11,500	Scott Wisniewski/Western Shamrock Fin.	San Angelo	Drew Darby
\$11,000	Ben Stribling/Stribling Co.	San Angelo	Kay Bailey Hutchison
\$10,500	Charles E. Johnson/Cmty. Loans of Am.	Boca Raton FL	Joe Straus/Vicki Truitt
\$10,400	Douglas D. & Margaret Clark/Check N Go	Cincinnati OH	Four-way tie
\$10,125	Daniel R. Feehan/Cash America Int'l	Fort Worth	Rick Perry
\$10,000	Consumer Service Alliance of TX	Austin	Mex. Am. Legislative Caucus
\$10,000	QC Holdings Inc. PAC/Quik Cash	Overland Park KS	Nine-way tie
\$9,930	C. Morgan & Lene Jones/American Pawn	Garland	Bob Deuell
\$9,400	Evan H. Katz/Approved Money Center	Austin	Mark M. Shelton
\$9,090	Roger & Cheryl Dean/Allied Cash	Cincinnati OH	Three-way tie
\$8,850	David W. & Madeline Bixel/Justice Finance	Dallas	John Carona
\$8,750	Thomas A. Young/Atlas Credit Co.	Tyler	Todd Staples
\$7,850	Jared A. & Bridget Davis/Check 'n Go	Mason OH	Dan Flynn
\$7,830	Abigayle Jones/Check into Cash	Cleveland TN	Repub. State Leadership Com.
\$7,500	Priscilla Brunner/DRKE, LLC	Xenia OH	Mark M. Shelton
\$7,000	Megan Dahlstrom/Think Cash	Fort Worth	Seven-way tie
\$6,250	A. David & Tracy Davis/Check 'n Go	Cincinnati OH	Troy Fraser

Note: The contributors above account for 95 percent of all predatory-lender contributions.

Notes

¹ This grossly understates the role played by out-of-state lenders because it treats contributions from the PACs of Texas' predatory-loan trade groups as if all their money came from Texas, which is hardly the case. The Texas Consumer Lenders PAC raised just over \$700,000 in the 2012 cycle, harvesting 43 percent of it in South Carolina, 33 percent in Texas and 24 percent in Ohio. The smaller Texas Consumer Finance Association raised almost \$220,000 in the 2012 cycle, collecting 90 percent of it from Texas contributors.

² [Senate Bill 253](#).

³ "Payday Lenders, Foes Steel for Possible Fight," *Austin American-Statesman*, February 4, 2013.

⁴ The principal on single-payment payday loans would be limited to 35 percent of gross monthly income; these loans could be refinanced four times. Multi-payment payday loans would be limited to 20 percent of gross monthly income and could be refinanced once.

⁵ Single-payment vehicle loans could be refinanced six times and would be limited to the lesser of: (A) 8 percent of annual income or (B) 70 percent of the vehicle's value. Multi-payment vehicle loans could be refinanced once and would be limited to the lesser of: (A) 20 percent of monthly income; or (B) 70 percent of the vehicle's value.

⁶ [Senate Bill 1715](#) and [House Bill 3033](#). "Bills Target Payday Lenders," *Austin American-Statesman*, March 14, 2013.

⁷ Major U.S. banks have been quietly working with payday lenders that use remote Internet-based loans to circumvent limits that some states have imposed on the industry. "Major Banks Aid in Payday Loans Banned by States," *New York Times*, February 23, 2013.

⁸ Rent-A-Center stopped making loans in 2011; critics say it also charges exorbitant interest rates on rent-to-own furniture.