

COLLATERAL DAMAGE

The Truth About
Property Tax Lending



Property Tax Loans: The Cycle of Unfair Lending

Texas property owners are the latest targets of unfair lending practices. Property tax lenders present themselves as saviors of financially-troubled property owners unable to make timely property tax payments. However the “assistance” property tax lenders provide is typical of deceptive lending.

The lender takes advantage of the short-term financial hardship of a family or small business to sell a loan with an interest rate and fees unjustifiably high relative to the true risk level of the loan.

Only loosely regulated, property tax lenders – like payday lenders – base their business model on exploiting the financial distress of property owners imperiled by tax liens.

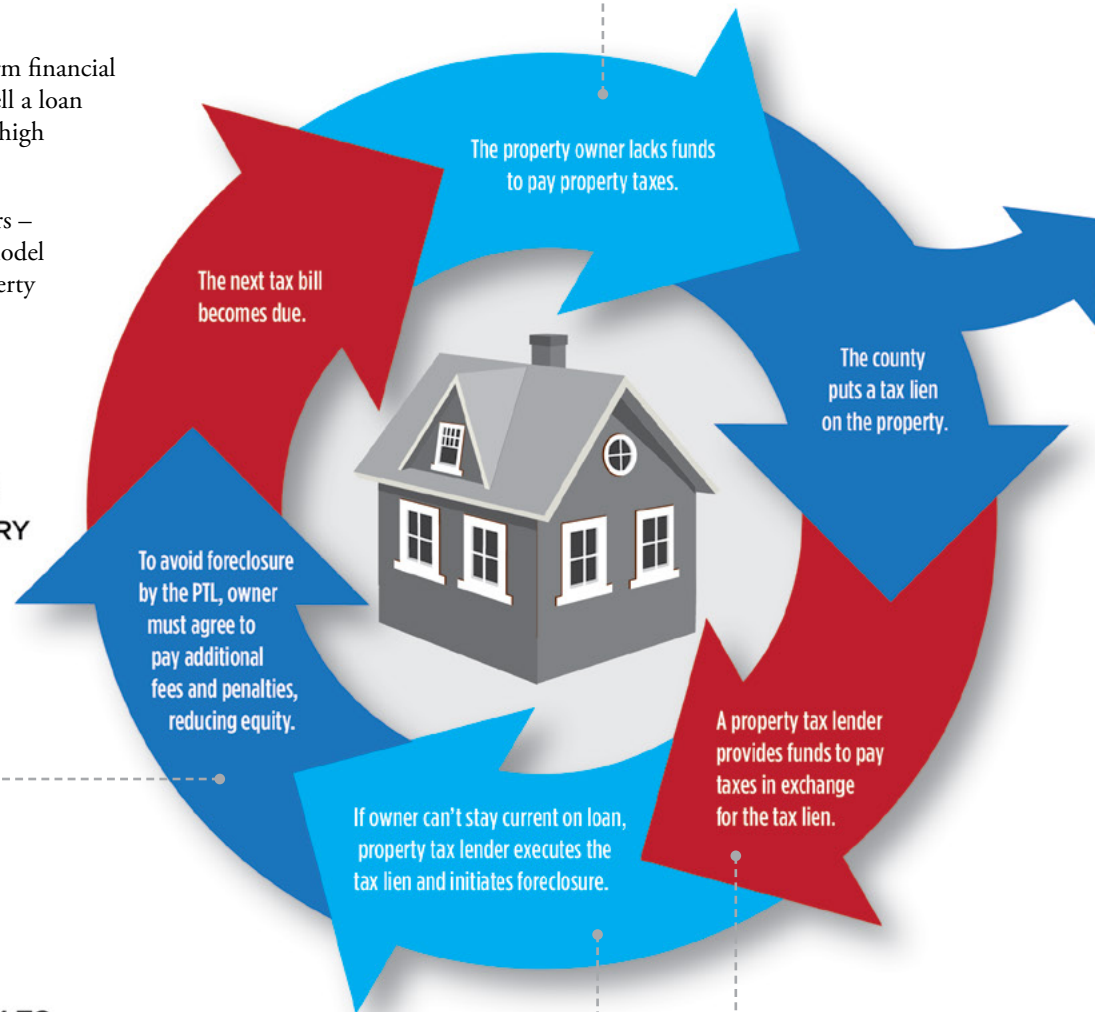
PROPERTY TAX LENDERS CLAIM TO BE AN ESTABLISHED INDUSTRY DATING BACK 80 YEARS.

1/2 of property tax lenders are less than 5-years old.

Companies have sprouted up seeking only to capitalize on the financial distress of Texas property owners.

PROPERTY TAX LENDERS CLAIM TO OFFER AFFORDABLE SOLUTIONS.

14% is the average interest rate on property tax loans, despite today's very low interest rate environment. Rates are egregious for these fully-secured loans (backed by property).



PROPERTY TAX LENDERS CLAIM TO BE THE BEST OPTION FOR PROPERTY OWNERS.

3 cost-effective alternatives are available to property holders:

The mortgage lender can help. With a financial stake in the property and existing consumer relationship, the bank or mortgage lender may advance funds at the prevailing mortgage interest rate to pay taxes.

Other lenders can help. Owners may be eligible for a home equity line of credit, personal loan or other solution.

The county can help. In many cases, taxing authorities will offer payment plans or other restructuring of the tax liability.

THE TAX LIEN DOESN'T GO AWAY.

Although they claim to loan money to pay off tax liabilities, a property tax lender does not satisfy the tax lien. The lien is transferred to the property tax lender; failure to repay can result in foreclosure by the property tax lender.



Abusive property tax lending practices demand greater regulatory oversight.

Texas bankers and mortgage lenders are united with consumer and small business advocates in calling for more diligent and comprehensive regulation of property tax lenders and their lending practices.

We call upon the Consumer Financial Protection Bureau to fulfill its statutory mission and vigilantly examine and regulate the growing tax lien lending industry.

Stop them from preying on financially uneducated consumers before it's too late. Texas homes and businesses are literally on the line.



**TexasBankers
Association**
One Industry. One Vision. One Voice.

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