

## CREDIT ACCESS BUSINESS ORDINANCE

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Texas State Statute Chapter 393 requires credit access businesses, payday lenders and auto title lenders to obtain a state issued license before conducting business in the state. The City of DeSoto recently amended its Code of Ordinances, Chapter 4 “Businesses Regulations”, by adding Article 4.1900 “Credit Access Businesses”. This Ordinance was passed on April 4, 2017, with an effective date of June 5, 2017.

<b>DOWNLOADS</b>
<a href="#">Credit Access Business Application (PDF)</a>
<a href="#">Ordinance 2083-17</a>

Ordinance 2083-17 states that a Credit Access Business is a credit service organization that obtains for a consumer or assists a consumer in obtaining an extension of consumer credit in the form of a deferred presentment transaction or a motor vehicle title loan (term originates from Section 393.601 of the Texas Finance Code).

The ordinance’s key points include providing for a registration program for credit access businesses, impose restrictions on extensions of consumer credit made by credit access businesses, and imposes recordkeeping requirements on credit access businesses. A summary of these terms for the Ordinance include:

1. A credit access business must apply for and receive a certificate of registration from the City.
2. A credit access business must maintain complete records of all loans made by the business for at least 3 years and make the records available to the City for inspection upon request.
3. The amount of a payday loan may not exceed 20 percent of the consumer’s (borrower’s) gross monthly income.
4. The amount of an auto title loan may not exceed the lesser of 3 percent of the consumer’s (borrower’s) gross annual income or 70 percent of the retail value of the motor vehicle.
5. Any loan from a credit access business that provides for repayment in installments may not be payable in more than four installments, and the proceeds from each installment must be used to repay at least 25 percent of the principal amount of the loan. No renewals or refinancing of installment-payment loans are permitted.
6. Any loan from a credit access business that provides for a single lump sum repayment may not be refinanced or renewed more than three times, and the proceeds from each refinancing or renewal must be used to repay at least 25 percent of the principal amount of

the loan. Any loan made to a consumer within seven days of a previous loan being paid by the consumer constitutes a refinancing or renewal.

7. Every agreement between the credit access business and a consumer evidencing an extension of consumer credit must be written in the consumer's language of preference.
8. A credit access business shall provide a form, to be prescribed by the Director, for each consumer seeking assistance in obtaining an extension of consumer credit which references non-profit agencies that provide financial education and training programs.

Additionally, there will be a fee of \$50 for each physically separate credit access business within the city limits of DeSoto, Texas to cover the City's administrative costs. The annual registration fee is non-refundable and must be submitted at the time of the application. Any credit access business not in compliance with Ordinance No. 2083-17 may be subject to civil penalties of \$500 per occurrence and for each day during which a violation is committed, permitted or continued.

After completion of the registration process, the City will provide a registration certificate which will need to be conspicuously displayed to the public.