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CREDIT ACCESS BUSINESS ADVISORY BULLETIN

Inconsistencies in Quarterly and Annual Data Reporting

February 28, 2013

During the previous year, the OCCC has collected data related to credit access business (CAB) transactions and extensions of credit. This data collection has occurred through quarterly and annual report filings with the agency. Although not every report has been reviewed, inconsistent information, when found, has been presented to the reporting CAB for verification with reporting locations. Additionally, CABs, after participating in webinars, have self-discovered previously reported information that needed amendments.

While the resulting corrections have produced a more accurate and complete picture of the CAB industry for stakeholders, the aggregate reports appear to indicate that there are still specific items where the consistency of data is questionable and the number of companies responsible is significant.

At this time, it is important to re-examine whether all CABs are reporting items consistently and basing information on the established reporting guidelines. The OCCC asks that you review the information below and compare it to the information submitted on each of your reports.

If after reviewing the below you believe you have reported any of the described items incorrectly on any report, contact Karl Hubenthal at cabreporting@occc.state.tx.us or 512-936-7652.

CAB REPORTS ITEMS TO BE REVIEWED AND VERIFIED

The below provides specific items contained within the quarterly and annual reports that should be reviewed for accuracy and consistency in reporting. In addition to the comments presented below, you may wish to reference the quarterly and annual report [webinars](#), with accompanying presentations and FAQs, as published on the OCCC website. The webinars and reference material can be found by following the “Webinar” link from the [OCCC homepage](#).

Quarterly Report

Product Type Classification

Incorrect reporting has been found with submitters entering data meant for installment deferred presentment transactions into single deferred presentment transaction columns. The columns for data submission are ordered (1) Installment Payday (2) Single Payday (3) Single Title (4) Installment Title.

Transactional level data first requires identifying the type of extensions of consumer credit. Texas Finance Code §393.221 defines motor vehicle title loans and deferred presentment transactions. Those definitions are used to determine which column to enter information into. The first two columns are used for deferred presentment transactions (payday loans) and the last two columns are used for motor vehicle title loans.

To determine in which of the first two or last two columns to report, the CAB next must examine the repayment term of the loan obtained. If an extension was obtained in which the loan was to be repaid in only one installment that should be reported as a single payment product. All other repayment schedules should be reported as the installment category.

Fees per \$100 loaned

Incorrect reporting has been found in the maximum fee charged per \$100 loaned entry by the CAB reporting the total amount of fees charged on the contract. Additional description on what is required if scheduled fees have been refunded are explained in the Treatment of Fees section of the FAQ's found in the quarterly reporting webinar page.

The ratio of fees per loan amount are reported in items # 10A – 10C. Three different ratios are required: (1) for the minimum fee charged per \$100 loaned, (2) the average fee charged per \$100 loaned, (3) the maximum fee charged per \$100 loaned.

Each ratio must take into account the amount loaned, or advanced (including refinances). Fees should never be reported in these entries as total fees charged on a contract. For example:

<u>Single Payment</u>	<u>Installment Payment</u>
\$1000 loan	\$1000 loan
\$250 total fees	4 payments
Fee per \$100 = \$25.00	\$25.00 fee per \$100 loaned as initial CAB fee ($\$1000/100 * \25.00)
	\$15.00 fee per \$100 loaned per each payment ($\$1000/100 * \$15.00 * 4$)
	\$850 total fees
	Fee per \$100 = \$85.00

Number of Refinances

Incorrect reporting included total refinances in the quarter instead of total refinances on new loans in the quarter.

Items # 3-5 seek information about refinances during the specific reporting quarter. This refinancing information is limited to the new loans in the quarter reported in item #2. Total refinances should not be reported if any of the refinances relate to loans not reported in item #2. For example, reporting for the 1st quarter report should be as follows:

Date of Loan #1: January 15th
Date of Refinance: February 15th
Total Refinances: 1

Date of Loan #2: December 20th

Date of Refinance: January 20th

Total Refinances: 0

(Loan #2 was made in a previous quarter thus the refinance is not counted for the quarterly report)

Number of Outstanding Accounts

Common inconsistencies have included stores reporting different numbers at the end of one quarter and the beginning of the next quarter.

Items # 10E & 10I require the reporting of the number of outstanding accounts at the beginning and ending of a reporting period. Each open account (not paid or charged off) should be reported for each point in time. Same store reporting of accounts at the end of a quarter should equal the number of accounts at the beginning of the next quarter.

Number of Accounts Paid-in-Full

Causes for incorrect reporting include CABs counting each refinance as paying off the previous loan.

The number of accounts and amounts loaned on the accounts that were paid-in-full during the quarter are reported on items # 10G & 10H. For any one account to be considered paid-in-full, the customer must owe nothing on either the original loan or any subsequent refinance of that loan.

Annual Report

Although the annual report has only recently been submitted, common inconsistencies are already being observed.

Number of Loans

Inconsistencies have been found between the total number of loans reported for item #6 and the cumulative total number of new loans reported on the same store four quarterly reports. Item #6 on the annual report is a breakdown of the total of all the loans reported on item #2 on the quarterly reports.

On the annual report, item #6 requires the number of extensions, or new loans, made during the year in a range of loan amounts. Only extensions of consumer credit as defined as new loans where there was no previous obligation in place on the account should be reported.

Dollar Value of Loans

Inconsistencies have been found on the annual report from stores reporting different cumulative totals for all subcategories on item #7 and #9.

Items # 7 and 9 on the annual report are the dollar amounts for the loans reported in item #6.. The total dollar amount of new extensions of consumer credit are broken down into loan ranges on item #7 and a cumulative total on item #9.

Paid-in-Full After a Number of Refinances

Inconsistencies may derive from some CABs counting refinances as paying off the previous loan. The cumulative quarterly report item #10G should equal the cumulative totals for the same store annual report items # 1 &2.

The first two items of the annual report require the number of paid-in-full loans within a range of times they were refinanced before payoff. The same paid-in-full definition previously discussed applies. For any one account to be considered paid-in-full, the customer must owe nothing on either the original loan or any subsequent refinance of that loan. A refinance does not payoff the previous obligation.