

## 2016 Property Tax Lender Annual Report

### ***Essential Guidelines for Reporting***

- Read all instructions before completing and submitting the annual report.
- All report data must comply with generally accepted accounting principles (GAAP) and be submitted using OCCC-provided forms. A financial statement will not serve as a valid substitute.
- Complete all schedules ensuring all figures and comments are legible. If a specific schedule is not applicable to your report, indicate “Not Applicable” or “N/A” on that specific schedule.
- All report data must reflect “net” figures. Do not report gross figures.
- Report all figures and monetary amounts as whole dollars. Check final figures and calculations for possible rounding errors and accuracy of totals.
- Express all figures as full amounts. Do not report data in terms of hundreds, thousands or similar
- Report all assets, liabilities, realized and accrued income, and expenses as they appear in your accounting records. If your items are recorded in the annual report differently than as they appear in your accounting
- No fees are due with the annual report filing.

### ***Special Situations & Considerations***

- Companies or Individuals Holding Multiple Licenses
  - Each company or individual holding more than one license should file one consolidated report for all licenses under each company and master file license number.
  - Different entity types cannot be combined within a consolidated report (i.e., partnerships and corporations should not be combined in a consolidated report even if one person controls both entities).
  - Each different legal entity is required to file a separate report.
- Licensees that had no reportable business during the report year must complete the cover page, and
  - Any applicable parts of Schedule A, to demonstrate net asset requirements have been maintained, and
  - Schedule B, if the licensee had other income and expenses.
  - All other schedules should be marked “Not Applicable.”
- Licensees Doing Business Outside the State of Texas
  - Schedules A and B should reflect all of the licensee’s financial activities at the national level.
  - Schedules C through I should reflect only business activity within the state of Texas.
  
- Complete the remainder of the schedules by entering data and figures as appropriate. This worksheet is a multi-page document; ensure you complete all sections.
  
- Publicly-Held Licensees
  - Submit a copy of the Annual Report and any Form 10-K filing for the report year.

- If the licensee does not prepare the reports, provide the parent company's annual report or 10-K form.
- Mortgage Brokers
- Complete only the cover page and Schedules A, B, and E, if the broker:
  - 1) arranges, transacts<sup>[1]</sup>, or negotiates<sup>[2]</sup> mortgage loans, **AND**
  - 2) does not hold, service, or collect any mortgage loans
- Complete all schedules if the broker *does not* meet the conditions above.

## ***Instructions for Individual Schedules and Forms***

Use these instructions, as needed, to find answers to your questions and help you to complete the annual report

### **Instructions for Schedule A: Balance Sheet**

- ✓ Report all figures as net, not gross.
- ✓ Pre-computed loans: Use the figures that are net of unearned interest and charges.
- ✓ Lines 9 (*Total Assets*) and 15 (*Total Liabilities and Owner's Equity*) should be equal to each other.

### **Assets**

- **Line 1:** Enter the total cash on hand and in bank(s) as of December 31st of the report year.
- **Line 2:** This figure is specific to loans made in Texas that are regulated according to Chapter 351 of the Texas Finance Code. *This figure should equal Line 1 of Schedule C.*
- **Line 3:** Enter the total of all Non-Texas loans and retail accounts receivable as of December 31st.
- **Line 4:** Enter the estimated losses on loans due to defaults and nonpayment. Line 4 should be recorded as a positive number.
- **Line 5:** This amount should be the sum of lines 2 through 4.
- **Line 6:** Enter the value of all other assets that can reasonably expected to be converted into cash within one year. Current assets include cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash.
- **Line 7:** This amount should be the sum of Lines 1, 5, and 6.
- **Line 8:** Report the total of all other assets devoted to the business. Report depreciable assets net of
- **Line 9:** Total Lines 7 and 8.

### **Liabilities and Owner's Equity**

- **Line 10:** Record borrowed funds for lending as of December 31
- **Line 11:** Enter the total company debts or obligations that are due within one year. Current liabilities include short term debt, accounts payable, accrued liabilities and other debts.
- **Line 12:** Enter the total company debt or obligations that are due in longer than one year.
- **Line 13:** This amount should be the sum of lines 11 through 12.
- **Line 14:** Record Owner's Equity. This figure should be the difference of Line 9 (*Total Assets*) and Line 13 (*Total*
- **Line 15:** The amount on this line should equal Line 9 (*Total Assets*). If owner's equity does not equal or exceed the net assets requirement, submit additional documentation as appropriate and indicated within Schedule A.

### **Instructions for Schedule B: Statement of Income and Expenses**

- ✓ Report all figures as net, not gross.
- ✓ Note that interest income is requested by loan type.

### **Income**

- **Line 1:** Report the interest income earned from loans regulated according to Chapter 351 (Texas-only transactions). *See Schedule A instructions for loan descriptions.*
- **Line 2:** Report the income earned for any mortgage loans.
- **Line 3:** Include other types of income not reported on Lines 1-2 and earned company-wide.
- **Line 4:** Total Lines 1-3.

### **Expenses**

- **Lines 5-8:** Report the expenses specific to your Texas property tax loan operations, and within the categories provided (bad debts, salaries, interest incurred, and other expenses).
- **Line 9:** Provide a company-wide total for expenses related to all business activities other than property tax loans in Texas (include bad debts, salaries, interest incurred, and other expenses).
- **Line 10:** Total Lines 5-9.
- **Line 11:** Line 4 minus Line 10.
- **Line 12:** Report company-wide federal income tax figures for the report year.
- **Line 13:** Report the Net Income (Loss). This figure should be difference of Line 11 (*Net income before taxes*) and Line 12 (*Federal income taxes*).

## **Note: Schedules C through Schedule I reflect data relative to business activities conducted within the State of Texas**

### **Schedule C: Loans Receivable Balances**

- ✓ Report dollar figures as net amounts, excluding unearned charges and unearned interest and charges on pre-computed loans.
- ✓ Dollar value totals for multiple loan products authorized by a single subchapter should match the totals you provided on Schedule A for each subchapter.
- **Line 1:** Record any loans receivable that are regulated by Chapter 351 of the Texas Finance Code. *This figure should equal Line 2 of Schedule A.*
- **Line 2:** Record other mortgage receivables to include home equity (first and second lien mortgage), home improvement or purchase money loans, and loans made under Chapter 342.G.
- **Line 3:** Total Lines 1-2.

### **Schedule D: Loans Made**

- ✓ Complete Schedule D for both Residential and Non-Residential Loans Transacted in the Calendar Year.
- ✓ Residential Loans: "Category A (Real Property: Single-Family Residential)," and homesteads designated as "Category E (Real Property: Farm and Ranch Improvements)" by the Property Classification Guide published by
- ✓ Non-Residential Loans: Loans for properties that are not classified as Category A or Category E by the Property Classification Guide published by the Texas Comptroller of Public Accounts.
- **Line 1:** Record the total number of loans (and renewals) made under Chapter 351 and the dollar value of those loans.
- **Line 2:** Report the total number and amount of tax lien transfers from taxing units for taxes, penalties, interest, legal fees, and court costs (If multiple taxing units or years are involved in the transaction consider it
- **Line 3:** Report total closing costs in connection with property tax loan closings.
- **Line 4:** Report the average note rate charged on the principal balance of new loans made or renewed. (Report average as an equal weighting regardless of loan size)

### **Schedule E: Delinquency and Collections**

- ✓ This schedule requests three types of information related to collection activities.
- **Lines 1-2:** Report the number of loans and total loan balances for accounts contractually delinquent by more than 60 and 90 days, respectively. Use figures from after year-end charge-off.
- **Lines 3:** Regarding foreclosures[3], report the number of loans and total loan balances due that were foreclosed. Proceeds from sales should show the number of loans on which foreclosed collateral was sold and
- **Line 4:** Report the number of proceeds realized from the sale of collateral and the dollar value of those

### Schedule F: Credit Insurance Sales

- ✓ Information on credit life data should combine single and joint life policies
- **Line 1:** Record the number of policies sold in conjunction with property tax loans.
- **Line 2:** Record the percentage of eligible loans covered.

Calculation: 
$$\frac{\text{Number of Insurance Sales to Borrowers}}{\text{Total Number of Insurance Eligible Loans}} \times 100$$

- **Line 3:** Record the amount of **net** premiums for insurance sales.
- **Lines 4-5:** Record the number of paid claims and the dollar value of claims paid.
- **Line 6:** Record the Net Insurance Income/Retained Premium, which is the amount of income you derived from the sale of credit insurance.

### Schedule G: Ancillary Products

- ✓ This schedule requests data related to other products that some licensees sell as part of their property tax loan or mortgage business.
- **Line 1:** Record the number of products sold.
- **Line 2:** Record the amount of **net** premiums for products sold.
- **Lines 3-4:** Record the number of paid claims and the dollar value of claims paid.

### Schedule H: Escheat Account

- **Line 1:** Report the total amount of any refunds sent to the Texas Comptroller's Unclaimed Property Division
- **Line 2:** Record the ending balance of your escheat suspense account.

### Schedule I: Payoff Information

- ✓ Completion is optional for 2016.
- ✓ A paid out account is defined as a transaction where the account balance is repaid in full or extinguished but does not include a refinance with the existing property tax lender or an affiliate or a foreclosure by the property
- **Line 1:** Record the number of payoffs by the borrower or the estate of the borrower.
- **Line 2:** Record the number of payoffs by the pre-existing lienholders who were notified under the provisions of Texas Tax Code Section 32.06 or 32.065.
- **Line 3:** Record the number of payoffs as a result of either a property sale or a mortgage company refinance.
- **Line 4:** Record the number of payoffs as a result of a foreclosure sale (other than those foreclosed by the property tax lender).
- **Line 5:** Record the number of payoffs by another property tax lender who is not an affiliate (e.g. the borrower obtained a property tax loan from a different property tax lender and paid off the outstanding loan).
- **Line 6:** Record all other payoffs which were not reported in a category above.

[1]Transacting a Loan: Any of the significant events associated with the lending process through funding, including the preparation, negotiation and execution of loan documents, and an advancement of money on behalf of a borrower by the lender to a third party. This also includes the act of arranging a loan. (§89.102(8),

[2]Negotiating a Loan: The process of submitting and considering offers between a borrower and a lender with the objective of reaching agreement on the terms of a loan. The act of passing information between the parties can, by itself, be considered "negotiation" if it was part of the process of reaching agreement on the terms of a loan. "Negotiation" involves acts which take place before an agreement to lend or funding of a loan actually

[3] A foreclosure is defined as one in which the property has been sold and the sale of that property has been recorded on a foreclosure deed. The 'number' of foreclosures reported in Line 3 should equal 'number' of sales of collateral reported on Line 4 in which proceeds were received. The dollar value of Lines 3 and 4 do not need