



# LOAN MANAGERS COURSE

SEPTEMBER 2024

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## Agenda

Part 1	Part 2
<ul style="list-style-type: none"><li>• Introduction</li><li>• Speed Networking</li><li>• What is Installment Lending</li><li>• GILA</li><li>• -BREAK-</li></ul>	<ul style="list-style-type: none"><li>• Course Focus</li><li>• Installment Lending History</li><li>• Noteworthy Changes</li><li>• Charges, Fees &amp; Calculations</li><li>• -LUNCH-</li></ul>

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## Agenda

Part 3	Part 4
<ul style="list-style-type: none"><li>• Open Floor - Questions</li><li>• Think-Pair-Share</li><li>• Legal Definitions &amp; Contracts</li><li>• Refunds</li><li>• -BREAK-</li></ul>	<ul style="list-style-type: none"><li>• Non-Calculation Laws</li><li>• Unfair Trade Practices</li><li>• Debt Collection</li><li>• Technology</li><li>• Kahoot</li></ul>

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<b>Quote:</b>	<p>"There are only two things that you need to be really good at to make it as a great manager in the installment loan business. You need to be able to loan money, and you need to be able to collect it."</p> <p>– <b>Tony Duckworth, Founder Lee Finance, Est. 1982</b> (50+ years of experience in the industry)</p>

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	<h2>WHAT IS INSTALLMENT LENDING?</h2> <p>Installment lending /in 'stɔlmənt 'lɛndɪŋ/ noun:</p>	

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<b>Installment Loans defined:</b>	
<ul style="list-style-type: none"> <li>• A contract or agreement to make a loan to an individual in the amount of \$3,000 or less (including the renewal or refinancing) <i>*Disclosure – this may change in the future.</i></li> <li>• All loans (except single pay) – terms can't be more than 36 months and 15 days</li> <li>• All loans (except single pay) – 1<sup>st</sup> payment must be scheduled at regular intervals in equal amounts</li> <li>• Single payment loans are repayable on terms that can't exceed 90 days.</li> <li>• The first payment on an installment loan can't go over 45 days from the date on which the loan is made but no sooner than the regular interval for all other installment loan payments</li> <li>• Interest rate may not exceed 10%</li> </ul>	
<a href="https://rules.sos.ga.gov/GAC/80-14">HTTPS://RULES.SOS.GA.GOV/GAC/80-14</a>	

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		<p>Trade association founded for the purpose of acquiring and accumulating information to create a better public understanding and to develop higher standards, decorum, and ethics in the conduct of lending money.</p> <p>Founded in 1951 in Macon, GA</p> <p><a href="http://www.GILOAN.org">www.GILOAN.org</a></p>
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<p>President Jeb Smith Kinsmith Finance</p>	<p>1<sup>st</sup> VP Joe Schubert 1<sup>st</sup> Franklin</p>	<p>2<sup>nd</sup> VP Quentin Bates Standard Discount</p>	<p>Sec-Treasurer Dan Jeter Standard Discount</p>
<p><b>GILA Officers</b></p>			

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<p><b>TERI KRAMER</b></p>		
<p>Executive Director</p>		

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	<b>EVENTS</b>
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	<b>Course focus: The WHY behind the WHAT</b>		
	<table><tr><td><b>YES</b> Sponsored by GILA Operational skills enhancement Calculation overview Law overview</td><td><b>NO</b> Not sponsored by DBF Not State Exam-focused Not an in-depth calculation course Not an in-depth law course</td></tr></table> <p><b>GOAL</b> Walk away from this course knowing <b>WHY</b> things happen the way they do. And a general knowledge regarding what's going on!</p>	<b>YES</b> Sponsored by GILA Operational skills enhancement Calculation overview Law overview	<b>NO</b> Not sponsored by DBF Not State Exam-focused Not an in-depth calculation course Not an in-depth law course
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	<b>HISTORY OF INSTALLMENT LENDING</b>
	

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# SETTING THE STAGE

Then vs. Now

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<b>Quote:</b>	<p>"You can't really know where you are going until you know where you have been."</p> <p>– Maya Angelou</p> <p>"Back in the day (1950's), a big loan was \$100. The small loan was \$25 or \$15. I think we did some \$15."</p> <p>– Jim Smith (Kinsmith Finance)</p>

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## Noteworthy Changes

- Regulatory Acts
- Usury Laws
- Consumer Protection laws
- Truth in Lending laws

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### Noteworthy Changes – Regulatory Acts

The Georgia Industrial Loan Act of 1955 and the Georgia Installment Loan Act of 1959 laid out initial frameworks for installment lending practices in the state.

Most Recent Sweeping Regulatory Change: Governor Kemp signed Senate Bill 462, which went into effect on July 1, 2020. The bill transferred the regulation of consumer installment loans of \$3,000 or less ("installment loans") from the Office of the Insurance Commissioner to the Department of Banking and Finance ("Department").

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### GA. Dept. Banking & Finance (DBF)

#### MISSION

Promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

#### VISION

Support vibrant economic growth and prosperity in Georgia.



Kevin Hagler,  
Commissioner

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### Noteworthy Changes – Regulatory Acts

1. Nationwide Multistate Licensing System and Registry ("NMLS") for the receipt and processing of applications
2. Electronic payments of fees and taxes
3. Increasing the reporting of information by licensees to the Department
4. Eliminating the requirement that each location of an entity have a separate license
5. The department conducts exams every five years (or so)

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### Noteworthy Changes

- Regulatory Acts
- [Usury Laws](#)
- Consumer Protection laws
- Truth in Lending laws

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### Noteworthy Changes – Usury Law Changes

Georgia's usury laws have undergone modifications over time to regulate the maximum interest rates allowed on loans.

Usury (Defined): the lending of money with an interest charge for its use, especially the lending of money at exorbitant interest rates.  
2: an unconscionable or exorbitant rate or amount of interest.<sup>1</sup>

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## Noteworthy Changes – Usury Law Changes

"In 2004, Georgia lawmakers cracked down on **payday lending**<sup>1</sup>, an industry that offered triple-digit-interest loans to people in need of cash between paychecks. They closed loopholes that had allowed the industry to evade long-standing usury laws in the state and made offering payday loans a felony."

Over the last 20 years, at least five attempts in Georgia to pass legislation regulating interest rates charged by title lenders or reclassify them under financial lending rules have wilted under industry pushback.

1 <https://www.ncsl.org/resources/2004/04/01/Georgia%20Payday%20Lending%20Law>  
2 <https://www.gab.org/news/2021/1/25/how-title-lenders-tap-poor-georgians-to-draft-title-draft-lenders-also>

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## Usury Battle



Installment Lending

vs.

Title Pawn Lending

vs.

Payday/ Check Cashing/ Cash Advance

vs.

New Player: Online Unlicensed Lenders

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## Noteworthy Changes

- Regulatory Acts
- Usury Laws
- **Consumer Protection laws**
- Truth in Lending laws

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## Noteworthy Changes – Consumer Protection

Amendments and new laws have been introduced to enhance consumer protection, like the **Fair Lending Act**, regulating fair and non-discriminatory lending practices.

### Most Recent Sweeping Consumer Protection Change:

**Consumer Financial Protection Bureau:** In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was passed. The law – referred to as the Dodd-Frank Act – created the (CFPB). Part of the reason the govt. created the Bureau was to increase accountability in government by consolidating consumer financial protection authorities that had existed across seven different federal agencies into one.

<https://www.consumerfinance.gov/data-research/research-reports/building-the-cfpb/>

## Noteworthy Changes

- Regulatory Acts
- Usury Laws
- Consumer Protection laws
- Truth in Lending laws

## Noteworthy Changes – Truth in Lending Laws

Truth in Lending Act (TILA): (AKA Regulation Z): Federal laws like TILA have influenced lending practices and disclosures, impacting installment loans in Georgia.

Federal law requires lenders to provide standardized information to borrowers prior to extending consumer credit. The information provided to borrowers includes, but is not limited to:

- The annual percentage rate ("APR")
- The term of the loan
- The cost of the loan
- The borrowers' rights, including the right of rescission.

## Noteworthy Changes – Truth in Lending Laws

**TILA** ensures that credit terms are disclosed so that consumers can compare terms and make knowledgeable decisions about loans.

Lenders are required to include these disclosures on documents given to borrowers.

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## Let's Learn the Basics:

Installment Loan contracts & How Fees are Calculated

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### LOAN CHARGES

- Maintenance Fees
- Interest Fees
- Loan Fees (8% & 4%)
- Closing Fees

### Credit Insurances/ Ancillary Products

(This portion of the course will be taught by Dr. Eric Kobbe.)

## Two Basic Sets of Charges

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## LET'S DO SOME MATH!

$$1+1=3$$

**Maintenance Charge**

Face Amount

Interest

Loan Fees (8&amp;4%)

Closing Fee

Late Charge

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**MAINTENANCE CHARGE**

A licensee may contract for, charge, receive, and collect a maintenance charge of \$3 each month in the term of the loan contract on each loan made, whether repayable in one single payment or repayable in weekly, monthly, or other periodic installments.

Refunds of unearned maintenance charges shall be made in accordance with the method prescribed in Code Section 7-3-14, and such maintenance charges will be subject to paragraph (4) of this Code section. Nothing contained in Code Section 7-4-18, as now or hereafter amended, shall be construed to apply to this paragraph, and loans made in conformity with this paragraph shall in no way constitute a violation of Code Section 7-4-18, as now or hereafter amended.

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**MAINTENANCE CHARGE****Easy Math: Maintenance fees**

What is the maintenance fee on a:

5-month loan?  $5 \times 3 = \$15$ 10-month loan?  $10 \times 3 = \$30$ 15-month loan?  $15 \times 3 = \$45$ 


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## MAINTENANCE CHARGE

### Easy Math: Maintenance fees

#### TRICK QUESTION:

What is the maintenance fee on a:

Single pay/ Seasonal/ Christmas loan due  
EXACTLY 90 days from the date made?

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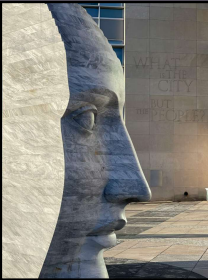
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## FACE AMOUNT



Maintenance Charge  
**Face Amount**  
Interest  
Loan Fees (8&4%)  
Closing Fee  
Late Charge

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## Let's start with the very basics: Face Amount

Months	Payments	High Credit	Maintenance Fee	Face Amount
5	50	250	5x3 = \$15	250-15 = 235
8	85	680	8x3 = \$24	680-24 = 656
10	100	1000	10x3 = \$30	1000-30 = 970
15	150	2250	15x3 = \$45	2250-45 = 2205

**Maintenance Fee Law:** A licensee may contract for, charge, receive, and collect a maintenance charge of **\$3.00 for each month in the term of the loan contract** on each loan made, whether repayable in one single payment or repayable in weekly, monthly, or other periodic installments.

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FACE AMOUNT	
<p>You own ABC LOAN company and decide to make a Tax/Seasonal/Christmas Loan. Let's make a 1x1000:</p> <p>We made the loan on 11/1 and set the due date EXACTLY 90 days into the future.</p> <p>What is the face amount on the loan?</p>	

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INTEREST	
	<p>Maintenance Charge</p> <p>Face Amount</p> <p>Interest</p> <p>Loan Fees (8&amp;4%)</p> <p>Closing Fee</p> <p>Late Charge</p>

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INTEREST DEFINED	
<p><b>"MONEY PAID REGULARLY AT A PARTICULAR RATE FOR THE USE OF MONEY LENT OR FOR DELAYING THE REPAYMENT OF A DEBT."</b></p> <p>"A licensee may charge, contract for, receive, and collect interest at a rate not to exceed <b>10 percent per annum</b> of the <b>face amount</b> of the contract, whether repayable in one single payment or repayable in monthly or other periodic installments. On loan contracts repayable in 18 months or less, the interest may be discounted in advance, and on contracts repayable over a greater period, the interest shall be added to the principal amount of the loan. On all contracts, interest or discount shall be computed proportionately on equal calendar months....."</p>	

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Customer question:

“What interest rate do you charge on loans?”

Follow your company’s policies when answering any customer questions!

First, a straightforward example: Interest						
Months	Payments	High Credit	Maintenance Fee	Face Amount	Interest	
12	120	2000	12x3 = 36	2000-36=1964	$1964 \times 10\%$ or $1964 \times .10 = 196.40 / 12 \text{ months}$	<b>16.366/mo. Interest</b>
12	100	1200	12x3 = 36	1200-36=1164	$1164 \times 10\%$ or $1164 \times .10 = 116.40 / 12 \text{ months}$	<b>9.70/mo. Interest</b>

What if the term is less than 12 months?						
Months	Payments	High Credit	Maintenance Fee	Face Amount	Interest	
5	50	250	5x3 = \$15	$250 - 15 = 235$	$235 \times 10\%$ or $235 \times .10 = 23.50 / 12 = 1.95833 / \text{Mo. Interest}$ $1.95833 \times 5 \text{ mo. term} = 9.79 \text{ Total Interest}$	
8	100	800	8x3 = \$24	$800 - 24 = 776$	$776 \times 10\%$ or $776 \times .10 = 77.60 / 12 = 6.4667 / \text{Mo. Interest}$ $6.4667 \times 8 \text{ mo. term} = 51.7336 \text{ Total Interest}$	

	<p><b>Is the interest on a \$3000 or less installment loan in Georgia calculated the same as the interest on a credit card?</b></p>
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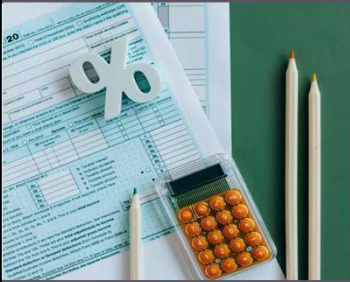
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LOAN FEES	
	<p><b>Maintenance Charge</b>  <b>Face Amount</b>  <b>Interest</b>  <b>Loan Fees (8&amp;4%)</b>  <b>Closing Fee</b>  <b>Late Charge</b></p>

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Loan Fees: 8% & 4%	
<p><b>A licensee may charge/collect at the time the loan is made a fee in an amount not greater than 8 percent of the first \$600.00 of the face amount of the contract plus 4 percent of the excess;</b></p>	
<p><small>provided, however, that such fee shall not be charged or collected on that part of a loan which is used to pay or apply on a prior loan or installment of a prior loan from the same licensee to the same borrower made within the immediately preceding six- month period; provided, however, if the loan balance is \$300.00 or less, the said period shall be two months, not six months; provided, further, that nothing contained in this paragraph and paragraph (1) of this Code section shall be construed to permit charges, interest, or fees of any nature whatsoever in the aggregate in excess of the charges, interest, and fees which would constitute a violation of Code Section 7-4-18 and this chapter shall in no way affect Code 304 Section 7-4-18. If a borrower prepays his or her entire loan to a licensee and within the following 15 days <u>obtains</u> a new loan from that licensee, and if this is done within the six-month period or the two-month period above described, as may be applicable, the fee may be charged only on the excess by which the face amount of the new contract exceeds the amount which the borrower repaid to that licensee within the said 15-day period;</small></p>	

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LOAN FEES				
Loan Fees: 8% & 4%: Let's calculate				
Terms	High Credit	Face Amount	8% Fee	4% Fee
5x50	250	235	$235 \times 8\% = 18.80$	0
10x60	600	570	$570 \times 8\% = 45.60$	0

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LOAN FEES				
Loan Fees: 8% & 4%: Let's calculate				
Terms	High Credit	Face Amount	8% Fee	4% Fee
10x100	1000	970	$600 \times 8\% = 48.00$	$370 \times 4\% = 14.80$
15x185	2775	2745	$600 \times 8\% = 48.00$	$2145 \times 4\% = 85.80$

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LOAN FEES	
<p><b>What you need to know:</b>            The 8% &amp; 4% fees are going to be different when you renew the loan because the charges are 'split.'</p> <p><i>(We won't get into the math behind it here. If you would like the formula to calculate split fees, see me after class.)</i></p>	

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## LOAN FEES

### Dual Loans Defined:

A customer has more than one open loan with a licensee.

Interest and Fees on a second (and all following) loans by the same borrower(s) can't exceed the interest and fees collectible if all the loans were consolidated into ONE LOAN.

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## CLOSING FEE



Maintenance Charge  
Face Amount  
Interest  
Loan Fees (8&4%)  
**Closing Fee**  
Late Charge

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## CLOSING FEE

**Universal Citation:** [GA Code § 13-1-14 \(2022\)](#)

A lender may collect a closing fee at the time of making a loan or extending credit in order to defray the costs of investigation and verification of a borrower's or purchaser's credit reports and references. Such closing fee may be for an amount up to 4 percent of the face amount of the loan or credit extension or total amount of the sales contract but shall not be more than \$50.00. Such closing fee may be paid from the proceeds of the amount borrowed or added to the principal amount of the loan or credit extension.

When any loan or sales contract upon which a closing fee has been charged is prepaid in full by any means within 90 days of the date of the loan or sales contract, the lender or seller shall refund or credit the borrower or purchaser with a pro rata portion of the closing fee; provided, however, that in such event, the lender or seller may retain an amount of not more than \$25.00 from the collected closing fee pro-rata

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CLOSING FEE

Terms	High Credit	Face Amount	Closing Fee
5x50	250	235	$235 \times 4\% = 9.40$
10x60	600	570	$570 \times 4\% = 22.80$
10x100	1000	970	$970 \times 4\% = 38.80$
15x185	2775	2745	$2745 \times 4\% = 109.80$

Trick question! The answer is \$50.00

Customer question:

What is this closing fee on my loan documents?

Follow your company's policies when answering any customer questions!

LATE CHARGE

ADDITIONAL  
Late Charge  
Other Fees (p  
Total Amount

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

## LATE CHARGE

A licensee may charge and collect from the borrower a late or delinquent charge of \$10.00 or an amount equal to 5¢ for each \$1.00 of any installment that is not paid within five days from the date such payment is due, whichever is greater, provided that this late or delinquent charge shall not be collected more than once for the same default; and

Monthly payment (Installment)	Calculated Late Fee	Due Date	Date Paid	Late Fee Due? Y/N
50	2.50 or 10.00	01/04/24	1/11/24	YES
85	4.25 or 10.00	01/04/24	1/09/24	NO
100	5.00 or 10.00	01/04/24	1/10/24	YES
250	12.50 or 10.00	01/10/24	1/16/24	YES

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Customer question:

"My payments are usually \$85... why are you charging me \$10 extra?"

Follow your company's policies when answering any customer questions!

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APPLY  
YOUR  
KNOWLEDGE




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LEGAL DEFINITIONS	
Amount Financed	Cash Advance + Insurance Premiums
Principal	Amount financed + Fees
Note	Principal + Interest
Total Payments	Note + Maintenance Charge
Finance Charge	Interest + Fees Maintenance Charge


DATE OF LOAN 01/12/2024		DISCLOSURE REQUIRED BY FEDERAL LAW NOTE AND SECURITY AGREEMENT		LOAN NUMBER 3433-7	
BORROWER'S NAME AND ADDRESS FINANCE, LEE 526 W OGLETHORPE ALBANY, GA 31701			LENDER/SECURED PARTY AND ADDRESS LEE LOAN AND TAX- NMLS# 2006107 526 W. OGLETHORPE BLVD. ALBANY, GA 31701		
ANNUAL PERCENTAGE RATE 88.82% <small>The Cost of your Credit at a yearly rate</small>		FINANCE CHARGE \$180.25 <small>The dollar amount your credit will cost you</small>		AMOUNT FINANCED \$499.75 <small>The amount of credit provided to you or on your behalf</small>	
TOTAL OF PAYMENTS \$680.00 <small>The amount you will have paid after you have made all payments as scheduled</small>					
SCHEDULE OF PAYMENTS: THE TOTAL OF PAYMENTS IS PAYABLE IN 7 INSTALLMENTS OF \$95.00 AND 1					
INSTALMENT OF \$85.00 COMMENCING ON 02/12/2024 AND DUE EACH MONTH THEREAFTER WITH THE FINAL INSTALLMENT DUE 8 MONTHS FROM DATE.					
BORROWER MAY CHOOSE THE PERSON THROUGH WHICH CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE TO OBTAIN THIS LOAN. BORROWER MAY CHOOSE THE PERSON THROUGH WHICH CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE TO OBTAIN THIS LOAN.					


<p>YOU MAY OBTAIN PROPERTY INSURANCE FROM ANYONE YOU WANT, PROVIDED THE INSURANCE COMPANY IS ACCEPTABLE TO THE CREDITOR. IF YOU GET THE INSURANCE FROM THE CREDITOR, IT WILL BE FOR THE TERM OF THE LOAN AND YOU WILL PAY \$8.75.</p> <p>SECURITY: YOU ARE GIVING A SECURITY INTEREST IN:</p> <p><input type="checkbox"/> YOUR AUTOMOBILE <input type="checkbox"/> YOUR HOME</p> <p><input type="checkbox"/> PERSONAL PROPERTY AS DESCRIBED IN THE SECURITY AGREEMENT BELOW</p> <p>FINING FEES \$0.00 NON-FILE INSURANCE \$20.00</p> <p>LATE CHARGE: YOU MAY BE CHARGED \$10.00 OR \$0.05 FOR EACH \$1.00 OF ANY INSTALLMENT, WHICHEVER IS GREATER, IF PAYMENT IS NOT MADE WITHIN FIVE (5) DAYS AFTER ITS DUE DATE.</p> <p>PREPAYMENT: IF YOU PAY OFF EARLY, YOU MAY BE ENTITLED TO A REFUND OF PART OF THE FINANCE CHARGE. YOU WILL NOT HAVE TO PAY A PENALTY. SEE YOUR CONTRACT DOCUMENT FOR ANY ADDITIONAL INFORMATION ABOUT NON-PAYMENT. DEFAULT: ANY REQUIRED REPAYMENT IN FULL BEFORE THE SCHEDULED DATE. PREPAYMENT REFUND AND PENALTIES.</p> <p>LOAN NOTE</p> <p>FOR VALUE RECEIVED, the undersigned (Borrower) jointly and severally promises to pay to Lender, at its office, the Total of Payments as disclosed in the Schedule of Payments, and upon the terms herein, with a late or delinquent charge of \$10.00 or \$0.05 for each \$1.00 of any installment, whichever is greater, if not paid within 5 days of the date due. This late or delinquent charge shall not be collected more than once for the same default. Failure to pay any installment when due, from time of the existence of the default, is a breach of the terms of the Security Agreement. Lender, at the option of the Lender, without notice or demand, may immediately due and accept all unpaid installments, provided that in such case charges will be reduced in proportion to the reduction of the loan term. All refunds in the event of prepayment without default shall be by the sum of the dollar amount of the closing fee less the amount of the prepayment, which shall be paid on the date of the loan the prepayment portion of the Closing Fee calculated on a daily basis for the term of the loan shall be refunded, provided, however, that in each event the Lender may retain a minimum of \$25.00 of the Closing Fee charged, in other words, to the extent that the sum of the prepayment plus the refund of the Closing Fee exceeds \$25.00, the Lender shall refund the excess to the Borrower. No interest refunds of less than \$1.00 shall be made upon prepayment. Any balance remaining upon early maturity shall bear an interest rate of 18 percent per annum. While note is collected by or through an attorney at law, attorney's fees of 10% of the unpaid balance, less court costs, shall be added to the note. Notwithstanding any language used in this note, when this note is made pursuant to the Georgia Industrial Loan Act, the note shall not be construed to contract for or cause any charge of interest in an amount greater than allowed by that Act.</p>		<p>ITEMIZED STATEMENT</p> <p>1 CASH RECEIVED BY BORROWER \$499.75</p> <p>2 BORROWER PAID FROM LOAN \$0.00</p> <p>3 INTEREST \$0.00</p> <p>4 LOAN FEE \$0.00</p> <p>5 CLOSING FEE \$0.00</p> <p>6 MAINTENANCE CHG. \$0.00</p> <p>7 CREDIT ADV. FEE \$0.00</p> <p>8 CREDIT ADV. FEE \$0.00</p> <p>9 FINS. INSURANCE \$0.00</p> <p>10 FINS. INSURANCE \$0.00</p> <p>11 TOTAL REFUND \$0.00</p> <p>12 AMOUNT TO BE RECEIVED (LINE 2, 3, 4, 5, 6, 7, 8, 9, 10) \$499.75</p> <p>13 LATE CHARGES \$0.00</p> <p>14 DISBURSEMENTS TO \$0.00</p> <p>15 N/A \$0.00</p> <p>16 N/A \$0.00</p> <p>17 N/A \$0.00</p> <p>18 N/A \$0.00</p> <p>19 TOTAL DISBURSED (TOTAL LINES 1, 12, 13-16) \$499.75</p> <p>20 FINING FEES \$0.00</p> <p>21 AMOUNT FINANCED (TOTAL LINES 17-21) \$499.75</p> <p>22 INTEREST \$0.00</p> <p>23 PREPAID FINANCE CHARGE (LOAN FEE, FINS.) \$0.00</p> <p>24 PREPAID FINANCE CHARGE (LOAN FEE + FINS.) \$0.00</p> <p>25 CLOSING FEE \$0.00</p> <p>26 MAINTENANCE CHARGES \$0.00</p> <p>27 FINANCE CHARGE (Total of lines 22, 24, 25, 26, 28, 29, 30) \$0.00</p> <p>28 TOTAL OF PAYMENTS (Total of lines 22, 24, 25, 26, 28, 29, 30) \$0.00</p> <p>29 FACE AMOUNT OF THE LOAN \$499.75</p> <p>30 The amount of the loan is \$499.75, plus interest and fees.</p> <p>31 THE MAY RETAIN A PORTION OF THIS AMOUNT \$0.00</p> <p>32 REPAYMENT \$0.00</p> <p>33 PROPERTY TO BE SECURED BY THIS AGREEMENT \$0.00</p>
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REFUNDS	
	<div data-bbox="529 363 727 535"> <b>RULE of 78's</b> </div>

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RULE OF 78's DEFINED	
<div data-bbox="142 947 732 1037"> <b>Rule of 78's: AKA the sum of digits (1+2+3+4+5+6+7+8+9+10+11+12=78)</b> </div> <p data-bbox="147 1066 747 1142">The 78 is a sum of the digits of the months in a year: 1 plus 2 plus 3 plus 4, etc., to 12, equals 78. Under the rule, each month in the contract is assigned a value which is exactly the reverse of its occurrence in the contract.</p>	

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	<div data-bbox="204 1556 420 1766">  </div> <div data-bbox="440 1556 708 1780"> <h2>Why?</h2> <p>The Rule of 78 allocates pre-calculated interest charges that favor the lender over the borrower for short-term loans or if a loan is paid off early.</p> <p>See rule of 78's chart, <b>next page</b></p> </div>		

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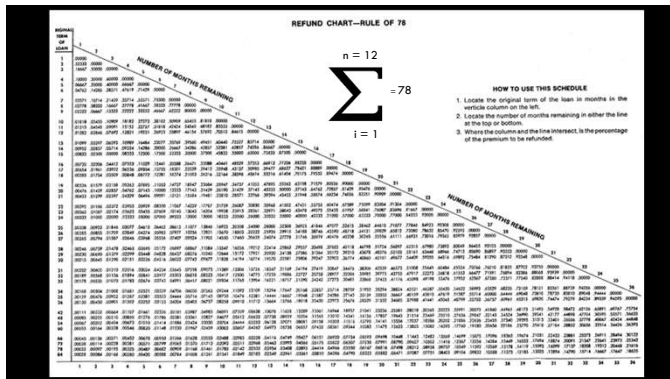
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## RULE OF 78's

- Interest, Maintenance Fees, Loan Fees (8% and 4%), and Closing Fees are all refundable based the Rule of 78.
- Insurance Fees excluding Accidental Death and Dismemberment (AD&D) are also refunded based the Rule of 78.

### EXCEPTIONS:

- No licensee may charge either directly or indirectly a rate greater than five (5) per cent per month. This restriction shall apply to interest and charges other than bona fide insurance premiums. Upon prepayment of a loan prior to the due date, each licensee shall recompute both the interest and charges, other than bona fide insurance premiums to ascertain if a rate greater than five (5) per cent per month has been charged and to the extent of such overcharge refund to the borrower.

## INTEREST AND CHARGES = INTEREST + 8% LOAN FEE + 4% LOAN FEE

<b>Example</b> 5% rule example			
10 payments of \$95.00 each = \$950.00 Total payments			
loan paid off in first month			
Face amount	\$920.00		
maintenance fees	(\$950.00 - \$30.00)	are removed leaving \$920.00 face amount	
	<b>Original Charges</b>	<b>Charges refunded by licensee</b>	
Life	\$6.44	\$5.27	\$6.44x9x10/1011=\$5.27
ABN	\$46.92	\$38.39	or \$6.44x81818 = \$5.27
Property	\$15.33	\$12.54	\$46.92x9x10/1011=\$38.39
NRI	\$10.00	\$0.00	\$15.33x9x10/1011=\$12.54
Interest	\$76.67	\$62.73	\$76.67x9x10/1011=\$62.73
8% Fee	\$46.00	0	0
4% Fee	\$12.80	0	0
Additional Charge- Maintenance Fee	\$30.00	\$24.55	\$30x9x10/1011=\$24.55
<b>\$920.00 x 5% = \$46.00</b> maximum interest you can earn in the first month			
<b>\$76.67 + \$46.00 + \$12.80 = \$137.47</b> Total charged by loan company, Interest & Fees			
<b>\$137.47 - \$46.00 = \$91.47</b> Total charges by company minus 5% allowed by law equals amount that should be refunded			
<b>\$91.47 - \$62.73 = \$28.74</b> Amount that should be refunded minus interest that was refunded equals total due to consumer			
<b>\$28.74 is refunded from fees</b> Fees are not required to be refunded			

### Calculating Refunds based on the Rule of 78

- Determine the numbers of months in the term of the loan.
- Determine the number of months left in the term of loan based on the actual payoff date.
- Use the Rule of 78 refund Chart to get the calculation factor.
- Multiply the applicable Loan Charge or Insurance Fee by the applicable Rule of 78 factor

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### How do I determine **how many months** are left?

- Remember that 1 day old is equal to 1 month.
- Each month has 30 days for calculation purposes.
- One day in a new month constitutes a Full Month for Refund purposes.

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### How do I apply this to determine **the number of months** left?

#### Example 1:

Date Made: 05/01/2024

Term: 10 Months

1<sup>st</sup> Payment Due Date: 06/01/2024

Payoff Date: 8/15/2024

In this scenario, the loan is in the 4<sup>th</sup> month. You count June 1<sup>st</sup> + July 1<sup>st</sup> + August 1<sup>st</sup> and since the payoff is after August 1<sup>st</sup> you add one more month for a total of 4 months. Then we subtract 4 months from the total term of 10 and that leaves us with 6 months remaining in the contract.

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How do I apply this to determine **the number of months** left?

**Example 2:**

Date Made: 08/01/2024

Term: 8 Months

1<sup>st</sup> Payment Due Date: 09/14/2024

Payoff Date: 8/15/2024

In this Scenario, the account is past 1 day and less than 30 days old. Therefore it is in the 1<sup>st</sup> month and had 7 months remaining.

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How do I apply this to determine **the number of months** left?

**Example 2 (Trick question):**

Date Made: 08/01/2024

Term: 8 Months

1<sup>st</sup> Payment Due Date: 09/14/2024

Payoff Date: 09/02/2024

In this scenario, the date made and term are exactly the same. The only difference is the 1<sup>st</sup> payment due date and the payoff date. DO NOT treat this any differently than you would the account with a 1<sup>st</sup> payment due date of one month (30 days) from the date made. Always remember the rule that all months have 30 days for calculation purposes. With that said, 9/1/24 is one month and 9/2/24 constitutes a 2<sup>nd</sup> month. Therefore this loan would have 6 months remaining.

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**LET'S  
CALCULATE  
SOME  
REFUNDS**

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### How do I calculate refunds?

Now that we have learned how to determine the number of months remaining in a contract, let's apply that knowledge can calculate some refunds based on the Rule of 78's:

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### How do I calculate refunds?

Now that we have learned how to determine the number of months remaining in a contract, let's apply that knowledge can calculate some refunds based on the Rule of 78's.  
Let's calculate the interest refund on the loan example below:

Date Made: 04/01/2024  
Term: 12 Months  
1<sup>st</sup> Payment Due Date: 05/1/2024  
Payoff Date: 9/2/2024  
Interest Charge: \$200.00

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### Let's calculate the interest refund on the loan example below:

Date Made: 04/01/2024 | Term: 12 months  
1<sup>st</sup> Payment Due Date: 05/1/2024 | Payoff Date: 9/2/2024 | Interest Charge: \$200.00

#### Step 1

Determine the number of months remaining? Answer = 6 (The account is 5 months and 1 day old so that puts it into the 6 month which leaves 6 months remaining.)

#### Step 2

Now let's use the Rule of 78 Refund Chart on the previous page to determine the multiplication refund factor. Scroll down to line 12 for Term of Loan and over to column 6 to locate the factor. You should locate .26923.

#### Step 3

Now let's take the \$200.00 Interest Charge and multiply by the refund factor in Step 2.

$$\text{\$200.00} \times .26923 = \text{\$53.85 (Interest Refund)}$$

This same method can be applied to all applicable loan and insurance charges. The 8%, 4%, & Closing Fee refunds are a bit more complicated but works the same way after considering a couple of other factors. Please contact me after class if you would like to know more. This class is designed to provide just a basic introduction to loan charge and refund calculations.

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	<p><b>Customer question:</b></p> <p>"I paid my loan back early. Why do I still have to pay so much back? Aren't I supposed to get some refunds on this loan?"</p> <p><b>Follow your company's policies when answering any customer questions!</b></p>	

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	<b>BREAK 3</b>	
		

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	<p><b>LET'S TALK NON- CALCULATION LAW</b></p>	

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## “Ignorantia Legis Neminem Excusat”

(“Ignorance of law excuses no one”)

A legal principle holding that a person who is unaware of a law may not escape liability for violating that law merely by being unaware of its content.




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## UNFAIR TRADE PRACTICES

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### UNFAIR TRADE PRACTICES

#### Purpose of the law:

- Establish and maintain standards of conduct
- Just, fair, equitable
- Not misleading or deceptive
- Protect consumers
- Regulate unfair methods of competition

Great, so what's deceptive?

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**UNFAIR TRADE PRACTICES cont.**

- **Written agreement signed by the customer** – *(What happens if you forget to get the customer to sign a contract?)*
- **Itemized statement of charges**
- **Customer gets a signed copy of the agreement**
- **Standardized type (can't be really small font)**
- **Clear terms**

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**UNFAIR TRADE PRACTICES cont.****Must contain a notice to consumer that includes:**

- Do not sign this agreement if it contains any black spaces.
- You are entitled to an exact copy of all papers you signed
- You have the right at any time to pay in advance the full amount due under this agreement and under certain conditions to obtain a partial refund of the interest charges.
- If credit life is required, you have the right to purchase either level-term life or reducing life insurance coverage.
- You are not required to purchase noncredit insurance as a condition of obtaining this loan.
- The creditor shall furnish the consumer with an exact copy of the agreement, including any loan voucher, itemized statement of loan charges, and disclosure statement after the agreement has been signed. The

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**PRACTICE OF  
LAW IN DEBT  
COLLECTIONS**

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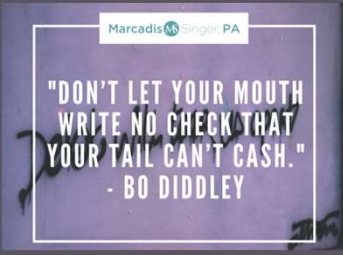
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	American Guitarist and Singer 1928-2008 (Hip Hop, Rap, Blues)	

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What constitutes a violation?	
<b>FALSE REPRESENTATION</b> <ul style="list-style-type: none"> <li>• Legal Advice</li> <li>• Implying you are an attorney</li> <li>• Using attorney stationery</li> </ul>	<b>HARASSMENT &amp; ABUSE</b> <ul style="list-style-type: none"> <li>• Obscene language</li> <li>• Calls without disclosure of caller's identity or with intent to annoy/harass</li> <li>• <i>(Discuss apps?)</i></li> </ul>
<b>THREATS OR COERCION</b> <ul style="list-style-type: none"> <li>• Threat of violence</li> <li>• Causing harm to the person, reputation, property</li> <li>• Disgrace or degrade person to neighbors or business associates</li> </ul>	<p>(persuading someone to do something by using force or threats)</p>

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What constitutes a violation?	
<b>UNREASONABLE PUBLICATION</b> <ul style="list-style-type: none"> <li>• Publicize nonpayment</li> <li>• List and post nonpayment</li> </ul>	
<b>FRAUDULENT, DECEPTIVE, OR MISLEADING REPRESENTATION</b> <ul style="list-style-type: none"> <li>• Fake name</li> <li>• Non-disclosure of collections</li> <li>• False representation regarding value</li> <li>• False documents</li> </ul>	
<b>UNFAIR OR UNCONSCIONABLE MEANS (Unreasonably excessive)</b>	

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Be careful when creating advertising...CANNOT say:

LOWEST RATES

LOWEST COST

NO H

NEW

LOWEST PAYMENTS

Can you say "Guaranteed"?

Does your NMLS number need to be on your advertising?

...or any deceiving or misleading wording.

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SPECIFICATIONS & REQUIREMENTS	
	<p>WHAT ABOUT...</p> <p>FACEBOOK</p> <p>INSTAGRAM</p> <p>TIKTOK</p> <p>TWITTER/X</p> <p>ETC...?</p>

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	<p>TECHNOLOGY &amp; YOUR FUTURE IN INSTALLMENT LENDING</p>
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	 <p><b>SMILE! YOU'RE BEING RECORDED.</b></p>  <p>What's the easiest way to record a phone conversation? On your Android device, open the Phone app. Call recording. Under "Always record," tap selected numbers. Turn on Always record selected numbers</p> <p>Yes, you can record a phone call on iPhone, using the Voice Memos app, the built-in screen recording feature or downloading a third-party call recorder.</p>
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 <p><b>BLOCKCHAIN</b></p>	<p><b>BLOCKCHAIN TECHNOLOGY- ONLINE LENDING</b></p>
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<p><b>BLOCKCHAIN DEFINED</b></p>	
<p>A decentralized, distributed, and public digital ledger that is used to record transactions across many computers so that the record cannot be altered retroactively without the alteration of all subsequent blocks and the consensus of the network.</p> <p>Blockchain is also being used to transform lending by cutting out the intermediary, allowing depositors to directly lend money to borrowers through smart contracts, which manage the loan and repayment process.</p>	

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## PREDICTIVE ANALYTICS

Analytics Defined: The process of discovering, interpreting, and communicating significant patterns in data. Analytics helps us see insights and meaningful data that we might not otherwise detect.

Defined: The process of using data to forecast future outcomes. The process uses data analysis, machine learning, artificial intelligence, and statistical models to find patterns that might predict future behavior.

What are some ways your company currently utilizes (or will in the future utilize) predictive analytics?

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If you are a Manager (or any role in an Installment Lender) you need to know what is going on. We are just starting to utilize this sort of technology, and things are set to change FAST.

Follow your company's policies when answering any customer questions!

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THANK YOU

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www.giloin.org

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