LOAN MANAGERS COURSE

SEPTEMBER 2024

WHAT TO EXPECT

Tuesday: 9:00 – 4:30 (or so)
Installment Loan Laws (Everything but Insurance)

Wednesday : 9:00 – 4:30 Breakfast,
review from Tuesday, Everything Insurance & Test

Agenda

Part 1

- Introduction
- Speed Networking
- What is Installment Lending
- GILA
- -BREAK-

Part 2

- Course Focus
- Installment Lending History
- Noteworthy Changes
- Charges, Fees & Calculations
- -LUNCH-

Agenda

Part 3

- Open Floor - Questions
- Think-Pair-Share
- Legal Definitions & Contracts
- Refunds
- -BREAK-

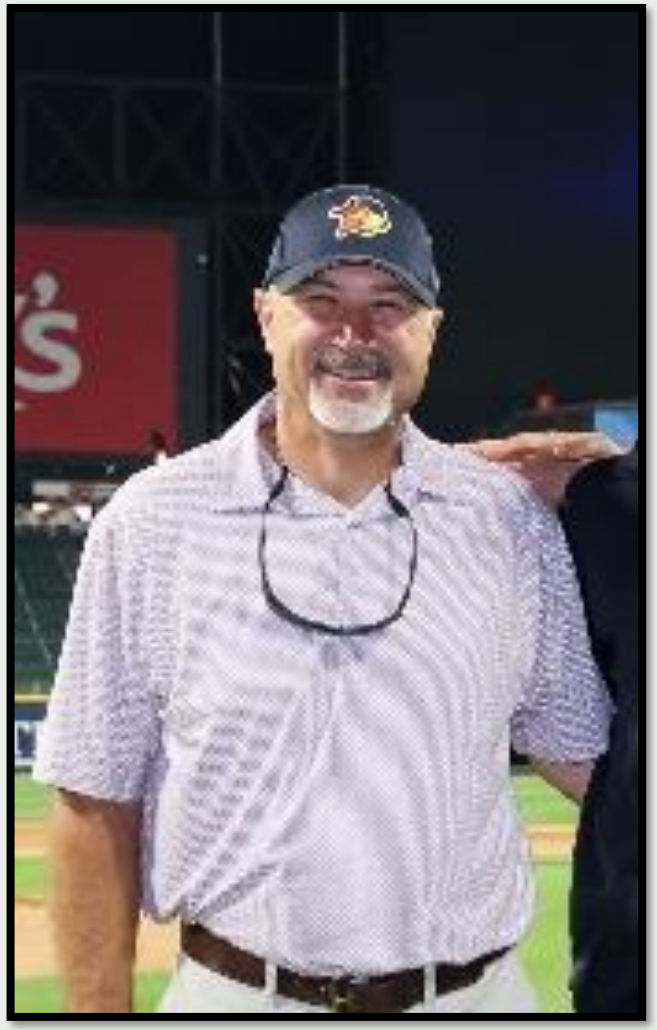
Part 4

- Non-Calculation Laws
- Unfair Trade Practices
- Debt Collection
- Technology
- Kahoot

Introduction

Lee Olson

Professional Background



Lee Olson

Capital Loan Company

1987- Assistant Manager Citizens Finance of Albany

1988 – Manager Citizens Finance of Albany

1990 – South Georgia Supervisor

1992 – North Georgia Supervisor

2002 – Company Sold

Titan Financial Group

2002 -2004 VP of Georgia and Louisiana Operations

Noble Finance Management

2004 -2020 Owner/Operator of 9 Branch Locations NEGA

Local Management

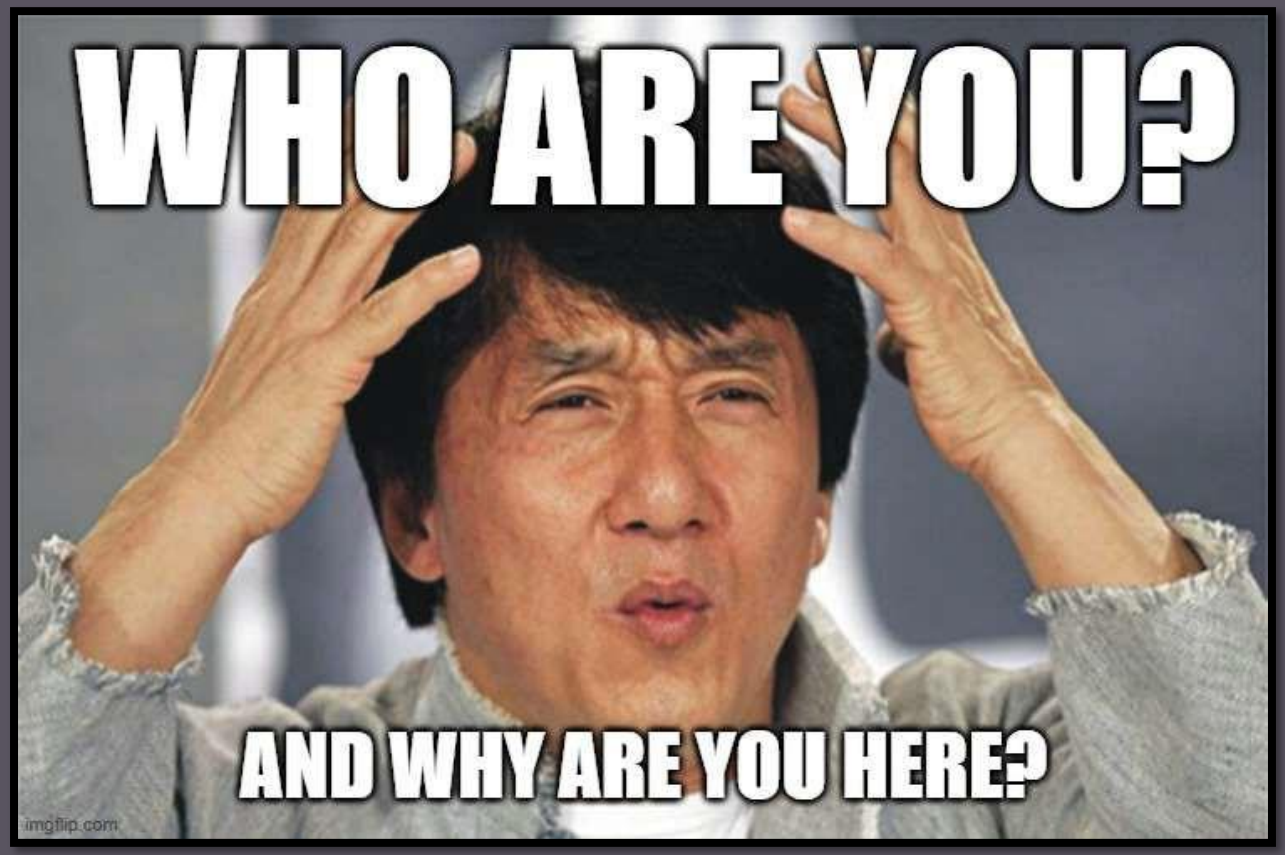
2020 – 2024 VP of Georgia Operation

Noble Tax Service

2006 – Present Co-Owner/Operator

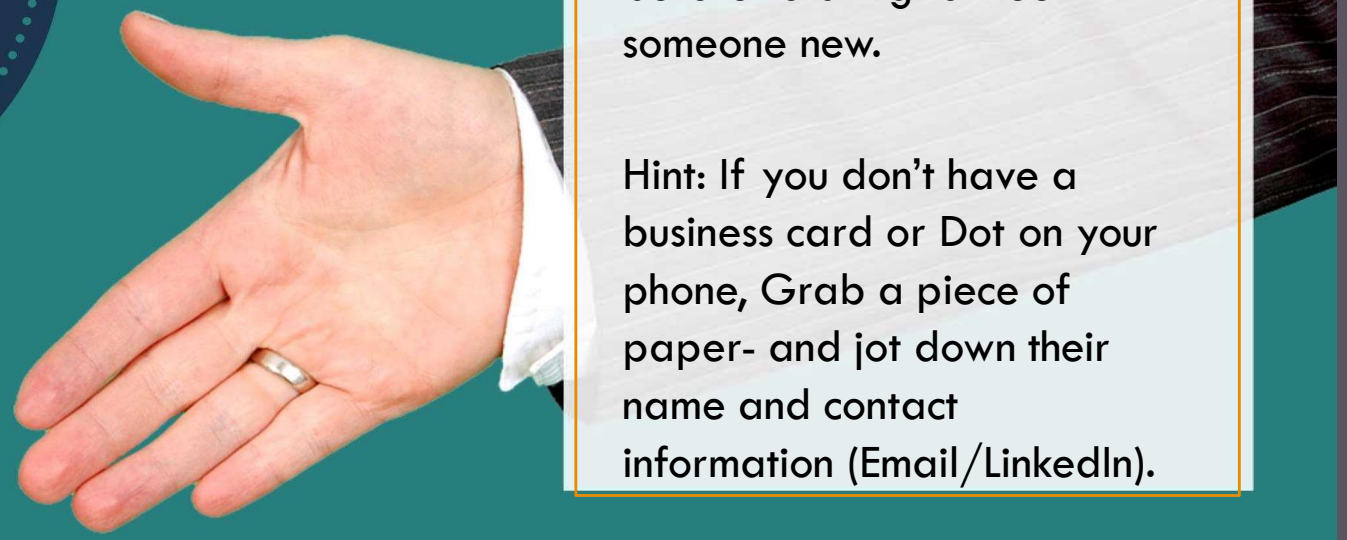
Main Street Finance and Tax Service

2024 Owner/Operator


WHO ARE YOU?
AND WHY ARE YOU HERE?
imgflip.com

“SPEED NETWORKING”

Meet and Greet



Introduce yourself and discuss your professional background or interests before rotating to meet someone new.

Hint: If you don't have a business card or Dot on your phone, Grab a piece of paper- and jot down their name and contact information (Email/LinkedIn).

Quote:

“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.”

– **Tony Duckworth, Founder Lee Finance, Est. 1982**
(50+ years of experience in the industry)

WHAT IS INSTALLMENT LENDING?

Installment lending */ɪnˈstɔlmənt ˈlɛndɪŋ/* **noun**:

Installment Loans defined:

- A contract or agreement to make a loan to an individual in the amount of $3,000 or less (including the renewal or refinancing)
  **Disclosure – this may change in the future.*
- All loans (except single pay) – terms can't be more than 36 months and 15 days
- All loans (except single pay) – 1st payment must be scheduled at regular intervals in equal amounts
- Single payment loans are repayable on terms that can't exceed 90 days.
- 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
- Interest rate may not exceed 10%

HTTPS://RULES.SOS.GA.GOV/GAC/80-14

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.

Founded in 1951 in Macon, GA

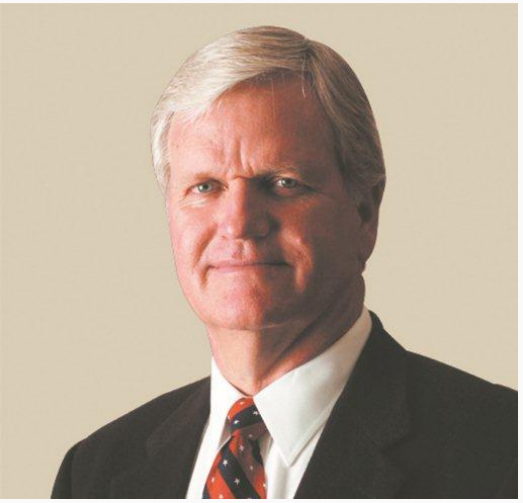
www.GILOAN.org

GILA Officers

President
Jeb Smith
Kinsmith Finance

1st VP
Joe Schubert
1st Franklin

2nd VP
Quentin Bates
Standard Discount



Sec-Treasurer
Dan Jeter
Standard Discount

TERI KRAMER

Executive Director

EVENTS

Doyle Kelly
GOLF CLASSIC
CONCERNED CREDIT PEOPLE FOR RESPONSIBLE GOVERNMENT

ONE OCEAN

Course focus: The WHY behind the WHAT

YES

Sponsored by GILA
Operational skills enhancement
Calculation overview
Law overview

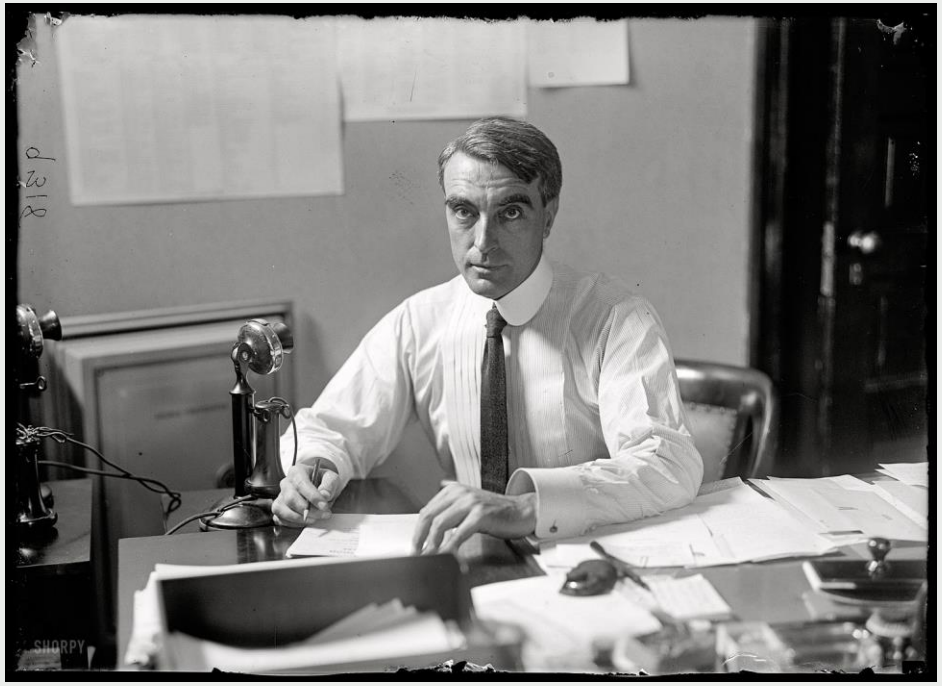
NO

Not sponsored by DBF
Not State Exam-focused
Not an in-depth calculation course
Not an in-depth law course

GOAL

Walk away from this course knowing **WHY** things happen the way they do.
And a general knowledge regarding what's going on!

HISTORY OF INSTALLMENT LENDING



SETTING THE STAGE

Then vs. Now

Quote:

"You can't really know where you are going until you know where you have been."

– **Maya Angelou**

"Back in the day (1950's), a big loan was $100. The small loan was $25 or $15. I think we did some $15."

– Jim Smith (Kinsmith Finance)

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”).

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

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)

Noteworthy Changes

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

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.[1]

Noteworthy Changes – Usury Law Changes

"In 2004, Georgia lawmakers cracked down on **payday lending**[2], 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.merriam-webster.com/dictionary/usury#:~:text=1,rate%20or%20amount%20of%20interest

2.https://www.gpb.org/news/2022/11/15/how-title-lenders-trap-poor-georgians-in-debt-triple-digit-interest-rates

Usury Battle

Installment Lending

vs.

Title Pawn Lending

vs.

Payday/ Check Cashing/ Cash Advance

vs.

New Player: Online Unlicensed Lenders

Noteworthy Changes

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

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.

Let's Learn the Basics:

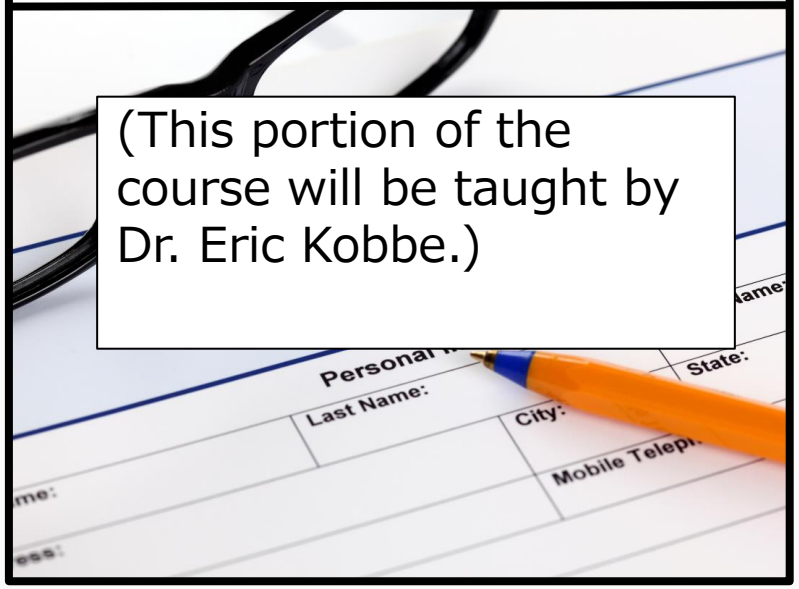
Installment Loan contracts & How Fees are Calculated

Two Basic Sets of Charges

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.)

LET'S DO SOME MATH!

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

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.

MAINTENANCE CHARGE

Easy Math: Maintenance fees

What is the maintenance fee on a:

5-month loan?	5x3 = $15
10-month loan?	10x3 = $30
15-month loan?	15x3 = $45

MAINTENANCE CHARGE

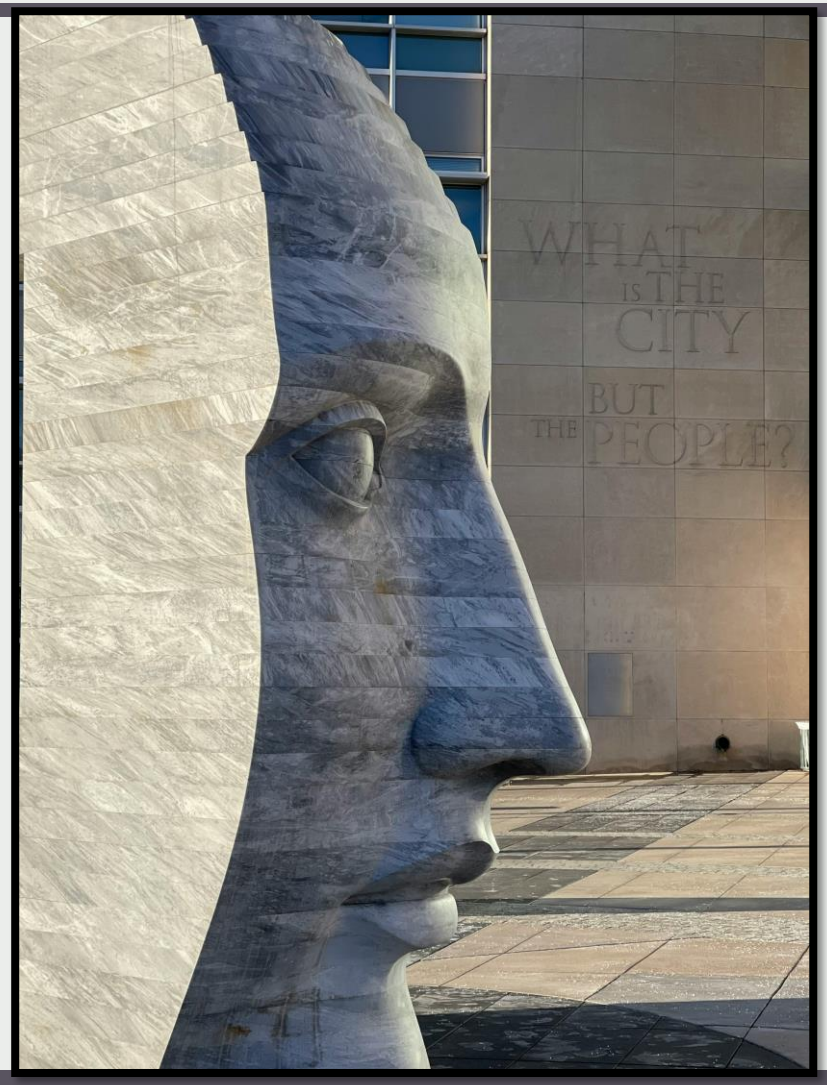
Easy Math: Maintenance fees

TRICK QUESTION:

What is the maintenance fee on a:

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

FACE AMOUNT



Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

FACE AMOUNT

P.S…That goes for Insurance also, but that's in Dr. Kobbe's wheelhouse.

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.

Let's Have Some Fun

FACE AMOUNT

You own ABC LOAN company and decide to make a Tax/Seasonal/Christmas Loan.

Let's make a 1x1000:

We made the loan on 11/1 and set the due date EXACTLY 90 days into the future.

What is the face amount on the loan?

INTEREST

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

INTEREST DEFINED

"MONEY PAID REGULARLY AT A PARTICULAR RATE FOR THE USE OF MONEY LENT OR FOR DELAYING THE REPAYMENT OF A DEBT."

"A licensee may charge, contract for, receive, and collect interest at a rate not to exceed **10 percent per annum** of the **face amount** 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….."

Why do I need to know?

Customer question:

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	1964x10% or 1964x.10 = 196.40/12 months **16.366/mo. Interest**
12	100	1200	12x3 = 36	1200-36=1164	1164x10% or 1164x.10 = 116.40/12 months **9.70/mo. Interest**

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	235x10% or 235x.10 23.50/12 = 1.95833 / Mo. Interest 1.95833 x 5 mo. term = **9.79 Total Interest**
8	100	800	8x3 = $24	800-24 = 776	776x10% or 776x.10 77.60/12 = 6.4667 / Mo. Interest 6.4667 x 8 mo. term = **51.7336 Total Interest**

Is the interest on a $3000 or less installment loan in Georgia calculated the same as the interest on a credit card?

LOAN FEES

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

Loan Fees: 8% & 4%

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;

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 obtains 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;

LOAN FEES

Loan Fees: 8% & 4%: Let's calculate

Terms	High Credit	Face Amount	8% Fee	4% Fee
5x50	250	235	235x8% **= 18.80**	**0**
10x60	600	570	570x8% **= 45.60**	**0**

LOAN FEES

Loan Fees: 8% & 4%: Let's calculate

Terms	High Credit	Face Amount	8% Fee	4% Fee
10x100	1000	970	600x8% **= 48.00**	370x4% = **14.80**
15x185	2775	2745	600x8% **= 48.00**	2145x4%=**85.80**

LOAN FEES

What you need to know:

The 8% & 4% fees are going to be different when you renew the loan because the charges are ‘split.’

(We won’t get into the math behind it here. If you would like the formula to calculate split fees, see me after class.)

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.

CLOSING FEE

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

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

CLOSING FEE

Terms	High Credit	Face Amount	Closing Fee
5x50	250	235	235x4% = **9.40**
10x60	600	570	570x4% = **22.80**
10x100	1000	970	970x4% = **38.80**
15x185	2775	2745	2745x4% = **109.80**

Trick question! The answer is $50.00

Why do I need to know?

Customer question:

What is this closing fee on my loan documents?

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

LATE CHARGE

Maintenance Charge

Face Amount

Interest

Loan Fees (8&4%)

Closing Fee

Late Charge

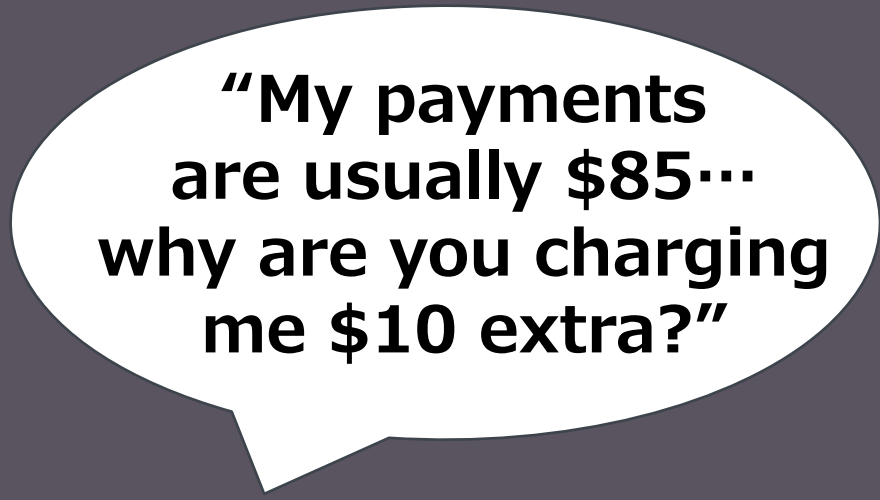
LATE CHARGE

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**

Why do I need to know?

Customer question:



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

Before moving forward…

Questions??

APPLY YOUR KNOWLEDGE

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	LENDER/SECURED PARTY AND ADDRESS
FINANCE, LEE 526 W OGLETHORPE ALBANY, GA 31701	LEE LOAN AND TAX- NMLS# 2006107 526 W. OGLETHORPE BLVD. ALBANY, GA 31701

ANNUAL PERCENTAGE RATE 88.82% The Cost of your Credit at a yearly rate	**FINANCE CHARGE** $180.25 The dollar amount your credit will cost you	**AMOUNT FINANCED** $499.75 The amount of credit provided to you or on your behalf	**TOTAL OF PAYMENTS** $680.00 The amount you will have paid after you have made all payments as scheduled

SCHEDULE OF PAYMENTS: THE TOTAL OF PAYMENTS IS PAYABLE IN: 7 INSTALLMENTS OF $85.00 AND 1

INSTALLMENT OF $85.00 COMMENCING ON 02/12/2024 AND DUE EACH MONTH THEREAFTER WITH THE FINAL INSTALLMENT DUE

8 MONTHS FROM DATE.

INSURANCE: BORROWER IS REQUIRED TO PURCHASE CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE TO OBTAIN THIS LOAN. BORROWER MAY CHOOSE THE PERSON THROUGH

WAITING WAITING

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

SECURITY: YOU ARE GIVING A SECURITY INTEREST IN:

☐ YOUR AUTOMOBILE ☐ LOAN IS UNSECURED

☒ PERSONAL PROPERTY AS DESCRIBED IN THE SECURITY AGREEMENT BELOW

FILING FEES $0.00 **NON-FILE INSURANCE** $20.00

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.

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 REFUNDS AND PENALTIES.

LOAN NOTE

FOR VALUE RECEIVED, the undersigned Borrower(s) jointly and severally promise to pay to Lender, at its offices, the Total of Payments as disclosed, in installments of the amounts and upon the dates shown above, plus 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, time being of the essence of this contract, or a default under any provision of the Security Agreement shall, at the option of the Holder, without notice or demand, render immediately due and payable 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 digits method except for the Closing Fee Refund. If prepayment occurs within 90 days of the date of the loan the pro-rata portion of the Closing Fee calculated on a daily basis for the term of the loan shall be refunded: provided, however, that in such event the Lender may retain a minimum of $25.00 of the Closing Fee charged. In either event, to the extent that the sum of the earned charges yields a rate of interest greater than 5% per month, borrower shall receive an additional rebate of such excess. No interest refunds of less than $1.00 shall be made upon prepayment. Any balance remaining unpaid after maturity shall bear an interest rate of 16 percent per annum. If this note is collected by or through an attorney-at-law, attorney's fees of 15% of the unpaid balance, less unearned charges, shall be assessed. The terms "Lender" and "Holder" include the lender's successors and assigns. 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 claim any charge or interest in an amount greater than allowed by that Act.

SECURITY AG

ITEMIZED STATEMENT

1. CASH RECEIVED BY BORROWER		$471.00
2. UNPAID BALANCE PRIOR LOAN	$0.00	
3. INTEREST REFUND	$0.00	
4. LOAN FEE REFUND	$0.00	
5. CLOSING FEE REFUND	$0.00	
6. MAINTENANCE CHG. REFUND	$0.00	
7. CREDIT LIFE INS. REFUND	$0.00	
8. CREDIT A&H INS. REFUND	$0.00	
9. FIRE INSURANCE REFUND	$0.00	
10. AUTO INSURANCE REFUND	$0.00	
11. TOTAL REFUNDS	$0.00	
12. AMOUNT TO BE RENEWED (LINE 2 LESS LINE 11)		$0.00
13. LATE CHARGES		$0.00
DISBURSEMENTS TO:		
*14. N/A		$0.00
*15. N/A		$0.00
*16a. NONE		$0.00
*16b. NONE		$0.00
*16c. NONE		$0.00
17. TOTAL DISBURSED (TOTAL LINES 1, 12, 13-16c)		$471.00
18. FILING FEE(S)		$0.00

	AMOUNT	PREMIUM
*19. [redacted]		
☒ LEVEL TERM ☐ REDUCING TERM	[redacted]00	[redacted]
*20. [redacted]		
☐ DUAL COVERAGE ☐ SINGLE INTEREST	[redacted]	[redacted]
21. NON-FILE INSURANCE	$656.00	$20.00

22. AMOUNT FINANCED (Total Lines 17-21) $499.75

INSURANCE	AMOUNT	PREMIUM
*23. [redacted]	[redacted]00	[redacted]8
*24. [redacted]	[redacted]00	[redacted]

25. INTEREST	$43.73
26. PREPAID FINANCE CHARGE (LOAN FEE - 8%)	$48.00
27. PREPAID FINANCE CHARGE (LOAN FEE - 4%)	$2.24
28. TOTAL PREPAID FIN. CHG. (Total of lines 26-27)	$50.24
29. CLOSING FEE	$26.24
30. MAINTENANCE CHARGES	$24.00
31. FINANCE CHARGE (Total of lines 23, 24, 25, 28, 29,30)	$180.25
32. TOTAL OF PAYMENTS (Total lines 22 & 31)	$680.00

FACE AMOUNT OF THE LOAN $656.00

☒ This is a total of lines 22, 23, 24, 25, 28 & 29 (Loans 18 mos. or less)

☐ This is a total of lines 22, 23, 24, 28 & 29 (Loans over 18 mos.)

*** WE MAY RETAIN A PORTION OF THIS AMOUNT**

AGREEMENT

VING PERSONAL PROPERTY TOGETHER WITH ALL ACCESSIONS, THE

REFUNDS

RULE of 78's

RULE OF 78's DEFINED

Rule of 78's: AKA the sum of digits (1+2+3+4+5+6+7+8+9+10+11+12=78)

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.

Why?

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.

See rule of 78's chart, **next page**

REFUND CHART—RULE OF 78

$$\sum_{i=1}^{n=12} = 78$$

HOW TO USE THIS SCHEDULE

1. Locate the original term of the loan in months in the verticle column on the left.
2. Locate the number of months remaining in either the line at the top or bottom.
3. Where the column and the line intersect, is the percentage of the premium to be refunded.

ORIGINAL TERM OF LOAN	NUMBER OF MONTHS REMAINING																																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36
1	.00000																																			
2	.33333	.00000																																		
3	.16667	.50000	.00000																																	
4	.10000	.30000	.60000	.00000																																
5	.06667	.20000	.40000	.66667	.00000																															
6	.04762	.14286	.28571	.47619	.71429	.00000																														
7	.03571	.10714	.21429	.35714	.53571	.75000	.00000																													
8	.02778	.08333	.16667	.27778	.41667	.58333	.77778	.00000																												
9	.02222	.06667	.13333	.22222	.33333	.46667	.62222	.80000	.00000																											
10	.01818	.05455	.10909	.18182	.27273	.38182	.50909	.65455	.81818	.00000																										
11	.01515	.04545	.09091	.15152	.22727	.31818	.42424	.54545	.68182	.83333	.00000																									
12	.01282	.03846	.07692	.12821	.19231	.26923	.35897	.46154	.57692	.70513	.84615	.00000																								
13	.01099	.03297	.06593	.10989	.16484	.23077	.30769	.39560	.49451	.60440	.72527	.85714	.00000																							
14	.00952	.02857	.05714	.09524	.14286	.20000	.26667	.34286	.42857	.52381	.62857	.74286	.86667	.00000																						
15	.00833	.02500	.05000	.08333	.12500	.17500	.23333	.30000	.37500	.45833	.55000	.65000	.75833	.87500	.00000																					
16	.00735	.02206	.04412	.07353	.11029	.15441	.20588	.26471	.33088	.40441	.48529	.57353	.66912	.77206	.88235	.00000																				
17	.00654	.01961	.03922	.06536	.09804	.13725	.18301	.23529	.29412	.35948	.43137	.50980	.59477	.68627	.78431	.88889	.00000																			
18	.00585	.01754	.03509	.05848	.08772	.12281	.16374	.21053	.26316	.32164	.38596	.45614	.53216	.61404	.70175	.79532	.89474	.00000																		
19	.00526	.01579	.03158	.05263	.07895	.11053	.14737	.18947	.23684	.28947	.34737	.41053	.47895	.55263	.63158	.71579	.80526	.90000	.00000																	
20	.00476	.01429	.02857	.04762	.07143	.10000	.13333	.17143	.21429	.26190	.31429	.37143	.43333	.50000	.57143	.64762	.72857	.81429	.90476	.00000																
21	.00433	.01299	.02597	.04329	.06494	.09091	.12121	.15584	.19481	.23810	.28571	.33766	.39394	.45455	.51948	.58874	.66234	.74026	.82251	.90909	.00000															
22	.00395	.01186	.02372	.03953	.05929	.08300	.11067	.14229	.17787	.21739	.26087	.30830	.35968	.41502	.47431	.53755	.60474	.67589	.75099	.83004	.91304	.00000														
23	.00362	.01087	.02174	.03623	.05435	.07609	.10145	.13043	.16304	.19928	.23913	.28261	.32971	.38043	.43478	.49275	.55435	.61957	.68841	.76087	.83696	.91667	.00000													
24	.00333	.01000	.02000	.03333	.05000	.07000	.09333	.12000	.15000	.18333	.22000	.26000	.30333	.35000	.40000	.45333	.51000	.57000	.63333	.70000	.77000	.84333	.92000	.00000												
25	.00308	.00923	.01846	.03077	.04615	.06462	.08615	.11077	.13846	.16923	.20308	.24000	.28000	.32308	.36923	.41846	.47077	.52615	.58462	.64615	.71077	.77846	.84923	.92308	.00000											
26	.00285	.00855	.01709	.02849	.04274	.05983	.07977	.10256	.12821	.15670	.18803	.22222	.25926	.29915	.34188	.38746	.43590	.48718	.54131	.59829	.65812	.72080	.78632	.85470	.92593	.00000										
27	.00265	.00794	.01587	.02646	.03968	.05556	.07407	.09524	.11905	.14550	.17460	.20635	.24074	.27778	.31746	.35979	.40476	.45238	.50265	.55556	.61111	.66931	.73016	.79365	.85979	.92857	.00000									
28	.00246	.00739	.01478	.02463	.03695	.05172	.06897	.08867	.11084	.13547	.16256	.19212	.22414	.25862	.29557	.33498	.37685	.42118	.46798	.51724	.56897	.62315	.67980	.73892	.80049	.86453	.93103	.00000								
29	.00230	.00690	.01379	.02299	.03448	.04828	.06437	.08276	.10345	.12644	.15172	.17931	.20920	.24138	.27586	.31264	.35172	.39310	.43678	.48276	.53103	.58161	.63448	.68966	.74713	.80690	.86897	.93333	.00000							
30	.00215	.00645	.01290	.02151	.03226	.04516	.06022	.07742	.09677	.11828	.14194	.16774	.19570	.22581	.25806	.29247	.32903	.36774	.40860	.45161	.49677	.54409	.59355	.64516	.69892	.75484	.81290	.87312	.93548	.00000						
31	.00202	.00605	.01310	.02016	.03024	.04234	.05645	.07258	.09073	.11089	.13306	.15726	.18347	.21169	.24194	.27419	.30847	.34476	.38306	.42339	.46573	.51008	.55645	.60484	.65524	.70766	.76210	.81855	.87702	.93750	.00000					
32	.00189	.00568	.01136	.01894	.02841	.03977	.05303	.06818	.08523	.10417	.12500	.14773	.17235	.19886	.22727	.25758	.28977	.32386	.35985	.39773	.43750	.47917	.52273	.56818	.61553	.66477	.71591	.76894	.82386	.88068	.93939	.00000				
33	.00178	.00533	.01079	.01783	.02674	.03743	.04991	.06417	.08021	.09804	.11765	.13904	.16221	.18717	.21390	.24242	.27273	.30481	.33868	.37433	.41176	.45098	.49198	.53476	.57932	.62567	.67380	.72371	.77540	.82888	.88414	.94118	.00000			
34	.00168	.00504	.01008	.01681	.02521	.03529	.04706	.06050	.07563	.09244	.11092	.13109	.15294	.17647	.20168	.22857	.25714	.28739	.31933	.35294	.38824	.42521	.46387	.50420	.54622	.58992	.63529	.68235	.73109	.78151	.83361	.88739	.94286	.00000		
35	.00159	.00476	.00952	.01587	.02381	.03333	.04444	.05714	.07143	.08730	.10476	.12381	.14444	.16667	.19048	.21587	.24286	.27143	.30159	.33333	.36667	.40159	.43810	.47619	.51587	.55714	.60000	.64444	.69048	.73810	.78730	.83810	.89048	.94444	.00000	
36	.00150	.00450	.00901	.01502	.02252	.03153	.04204	.05405	.06757	.08258	.09910	.11712	.13664	.15766	.18018	.20420	.22973	.25676	.28529	.31532	.34685	.37988	.41441	.45045	.48799	.52703	.56757	.60961	.65315	.69820	.74474	.79279	.84234	.89339	.94595	.00000
42	.00111	.00332	.00664	.01107	.01661	.02326	.03101	.03987	.04983	.06091	.07309	.08638	.10078	.11628	.13289	.15061	.16944	.18937	.21041	.23256	.25581	.28018	.30565	.33223	.35991	.38870	.41860	.44961	.48173	.51495	.54928	.58472	.62126	.65891	.69767	.73754
48	.00085	.00255	.00510	.00850	.01276	.01786	.02381	.03061	.03827	.04677	.05612	.06633	.07738	.08929	.10204	.11565	.13010	.14541	.16156	.17857	.19643	.21514	.23469	.25510	.27636	.29847	.32143	.34524	.36990	.39541	.42177	.44898	.47704	.50595	.53571	.56633
54	.00067	.00202	.00404	.00673	.01010	.01414	.01886	.02424	.03030	.03704	.04444	.05253	.06128	.07071	.08081	.09158	.10303	.11515	.12795	.14141	.15556	.17037	.18586	.20202	.21886	.23636	.25453	.27340	.29293	.31313	.33401	.35556	.37778	.40067	.42424	.44848
60	.00055	.00166	.00328	.00546	.00820	.01148	.01530	.01967	.02459	.03005	.03607	.04262	.04973	.05738	.06557	.07432	.08361	.09344	.10383	.11475	.12623	.13825	.15082	.16393	.17760	.19180	.20656	.22186	.23770	.25410	.27104	.28852	.30656	.32514	.34426	.36393
66	.00045	.00136	.00271	.00452	.00678	.00953	.01266	.01628	.02035	.02488	.02985	.03528	.04116	.04749	.05427	.06151	.06920	.07734	.08593	.09498	.10448	.11443	.12483	.13569	.14699	.15875	.17096	.18363	.19674	.21031	.22433	.23881	.25373	.26911	.28494	.30122
72	.00038	.00114	.00228	.00381	.00571	.00799	.01065	.01370	.01712	.02093	.02511	.02968	.03463	.03995	.04566	.05175	.05822	.06507	.07230	.07991	.08790	.09627	.10502	.11416	.12367	.13356	.14384	.15449	.16553	.17694	.18874	.20091	.21347	.22641	.23973	.25342
78	.00032	.00097	.00195	.00325	.00487	.00682	.00909	.01168	.01461	.01785	.02142	.02532	.02954	.03408	.03895	.04414	.04966	.05550	.06167	.06816	.07498	.08212	.08958	.09737	.10549	.11392	.12269	.13178	.14119	.15092	.16099	.17137	.18208	.19312	.20448	.21616
84	.00028	.00084	.00168	.00280	.00420	.00588	.00784	.01008	.01261	.01541	.01849	.02185	.02549	.02941	.03361	.03810	.04286	.04790	.05322	.05882	.06471	.07087	.07731	.08403	.09104	.09832	.10588	.11373	.12185	.13025	.13894	.14790	.15714	.16667	.17647	.18655
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36

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 re-compute both the interest and charges, other than bona fie 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

Example 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

	Original Charges	Charges refunded by licensee	
Life	$6.44	$5.27	$6.44x9x10/10/11=$5.27 or $6.44x.81818 = $5.27
A&H	$46.92	$38.39	$46.92x9x10/10/11= $38.39
Property	$15.33	$12.54	$15.33x9x10/`0x11= $12.54
NRI	$10.00	$0.00	0
Interest	$76.67	$62.73	$76.67x9x10/10/11= $62.73
8% Fee	$48.00		0
4% Fee	$12.80		0
Additional Charge -Maintenance Fee	$30.00	$24.55	$30x9x10/10/11=$24.55

$920.00 x 5% = $46.00 maximum interest you can earn in the first month

$76.67 + $48.00 + $12.80 = $137.47 Total charged by loan company, Interest & Fees

$137.47 - $46.00 = $91.47 Total charges by company minus 5% allowed by law equals amount that should be refunded

$91.47 - $62.73 = $28.74 Amount that should be refunded minus interest that was refunded equals total due to consumer

$28.74 is refunded from fees 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

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.

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

Example 1:

Date Made: 05/01/2024

Term:10 Months

1st Payment Due Date: 06/01/2024

Payoff Date: 8/15/2024

In this scenario, the loan is in the 4th month. You count June 1st + July 1st + August 1st and since the payoff is after August 1st 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.

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

Example 2:

Date Made: 08/01/2024

Term: 8 Months

1st 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 1st month and had 7 months remaining.

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

Example 2 (Trick question):

Date Made: 08/01/2024

Term: 8 Months

1st 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 1st payment due date and the payoff date. DO NOT treat this any differently than you would the account with a 1st 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 2nd month. Therefore this loan would have 6 months remaining.

LET'S CALCULATE SOME REFUNDS

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:

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

1st Payment Due Date: 05/1/2024

Payoff Date: 9/2/2024

Interest Charge: $200.00

Let’s calculate the interest refund on the loan example below:

Date Made: 04/01/2024 | Term: 12 months

1st 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

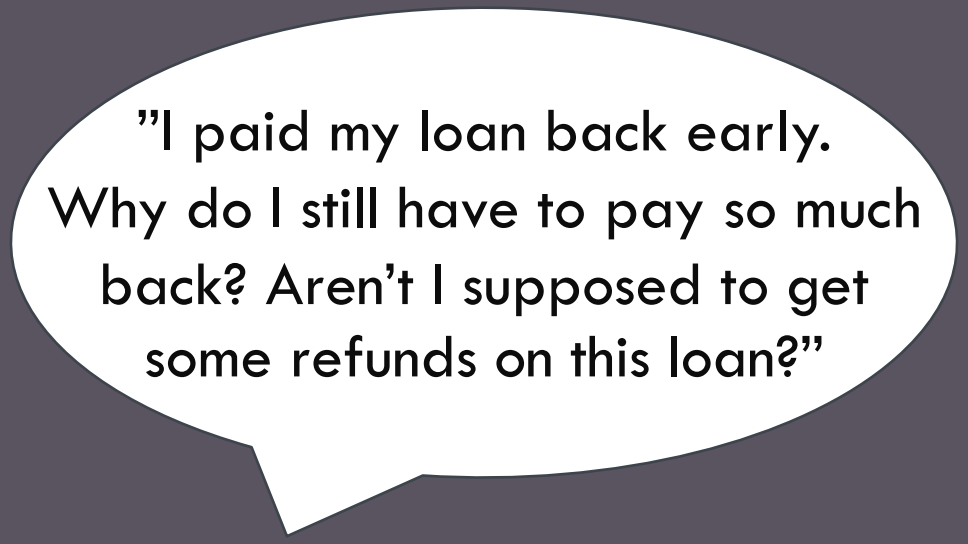
Now let’s take the $200.00 Interest Charge and multiply by the refund factor in Step 2.

$200.00 X .26923 = $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.

Why do I need to know?

Customer question:



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

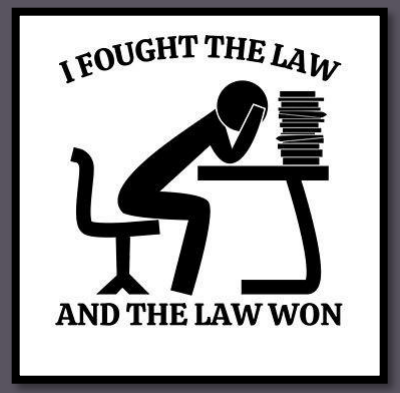
BREAK 3

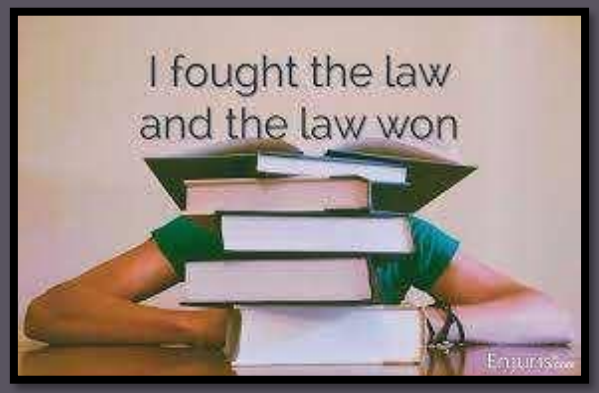
LET'S TALK NON-CALCULATION LAW

“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.





UNFAIR TRADE PRACTICES

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?

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**

UNFAIR TRADE PRACTICES cont.

Must contain a notice to consumer that includes:

a. Do not sign this agreement if it contains any black spaces.

b. You are entitled to an exact copy of all papers you signed

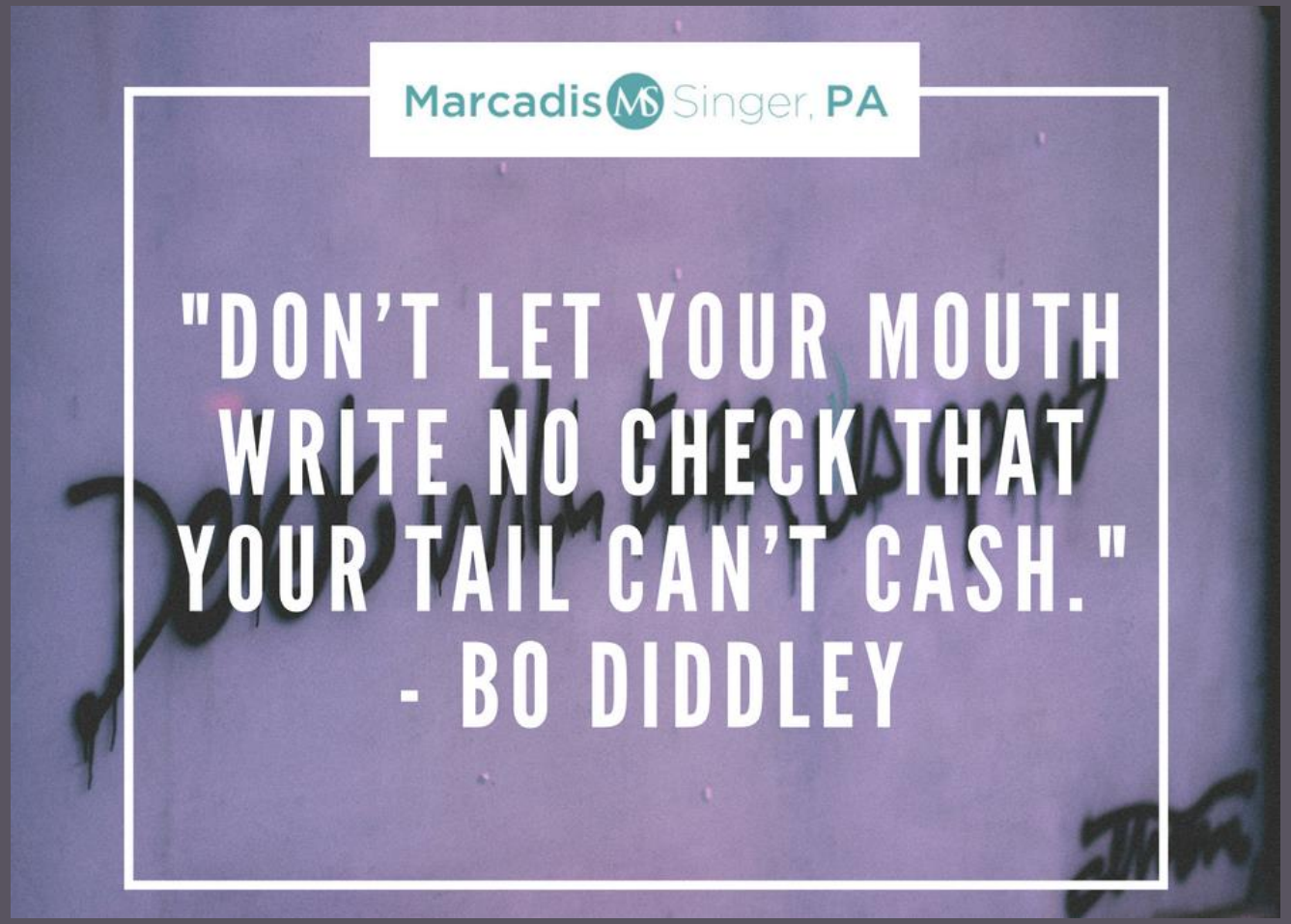
c. You have the right at any time to pay in advance the full amount due under this agreement and under certain conditions to obtain a partial refund of the interest charges.

d. If credit life is required, you have the right to purchase either level-term life or reducing life insurance coverage.

e. You are not required to purchase noncredit insurance as a condition of obtaining this loan.

f. 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

PRACTICE OF LAW IN DEBT COLLECTIONS



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

What constitutes a violation?

FALSE REPRESENTATION

- Legal Advice
- Implying you are an attorney
- Using attorney stationery

HARASSMENT & ABUSE

- Obscene language
- Calls without disclosure of caller's identity or with intent to annoy/harass
- *(Discuss apps?)*

THREATS OR COERCION

(persuading someone to do something by using force or threats)

- Threat of violence
- Causing harm to the person, reputation, property
- Disgrace or degrade person to neighbors or business associates

What constitutes a violation?

UNREASONABLE PUBLICATION

- Publicize nonpayment
- List and post nonpayment

FRAUDULENT, DECEPTIVE, OR MISLEADING REPRESENTATION

- Fake name
- Non-disclosure of collections
- False representation regarding value
- False documents

UNFAIR OR UNCONSCIONABLE MEANS (Unreasonably excessive)

Be careful when creating advertising…CANNOT say:

Can you say "Guaranteed"?

Does your NMLS number need to be on your advertising?

…or any deceiving or misleading wording.

SPECIFICATIONS & REQUIREMENTS

WHAT ABOUT…

FACEBOOK

INSTAGRAM

TIKTOK

TWITTER/X

ETC…?

TECHNOLOGY & YOUR FUTURE IN INSTALLMENT LENDING

SMILE! YOU’RE BEING RECORDED.

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

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.

BLOCKCHAIN TECHNOLOGY- ONLINE LENDING

BLOCKCHAIN DEFINED

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.

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.

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?

Why do I need to know?

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!

LOOKING AHEAD: TOMORROW

DR. Eric Kobbe,

Life of the South course:

All things Insurance-Related!

Comprehensive Test

Certificate/ Awards

2:08:36
2014 BOSTON MARATHON
MEB
2014 BOSTON MARATHON
2014 BOSTON MARATHON
2014 BOSTON MARATHON
118TH

YAY!!!!
END OF PRESENTATION!!

THANK YOU

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www.giloan.org