

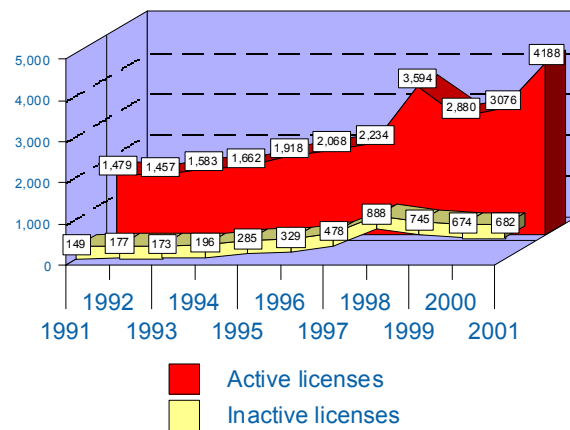
# OFFICE OF CONSUMER CREDIT COMMISSIONER

## Annual Report of Regulated Lender Activity For Calendar Year 2000

Annually, the Office of Consumer Credit Commissioner (OCCC) gathers information from its regulated lenders about their lending activities in Texas. The information in this report provides some valuable information about the lending industry in Texas. The accompanying charts and graphs provide a visual representation of each kind of loan we regulate in addition to spotlighting some potentially key trends.

The lenders whose data is included in this report are non-depository lenders, such as finance companies, home equity lenders, junior lien mortgage lenders, payday lenders, signature loan companies, and some lenders that engage in installment sale refinances of items such as motor vehicles and manufactured homes. The information is reported at the company level, and is not location specific; therefore, the data can be presented only on a statewide basis. The TEXAS FINANCE CODE, Section 342.559 requires these lenders to annually submit key financial information to the OCCC. The information is not audited or reviewed for accuracy. However, upon receiving the information, the OCCC enters the information into a database and reviews it for reasonableness.

### Increase of Lending Licenses



The information is due May 1 of each year, but some lenders confront obstacles in providing the information on time. Not included in this report's figures is the lending activity information for 22 lenders who did not submit annual reports for 2000; those lenders' licenses were revoked or surrendered when the licensees failed to comply with the reporting requirement. Also, this presentation does not represent *all* retail installment transactions, since most are conducted by sellers not required to report to the OCCC. Further, the information does not represent *all* consumer loans made in Texas during 2000, since the OCCC does not regulate depository institutions (i.e., banks, credit unions, and savings and loan institutions) and therefore cannot provide those activity figures. Additionally, some lending activities are not regulated in Texas, such as reverse mortgages, first lien transactions (except home equity), and loans made below the constitutional maximum rate charge of 10%.

## COMPANY PROFILES

The first chart provides financial information about the size of the industry. The \$440 billion industry employs people in essentially every community statewide. This industry serves consumers across the state as well. Texas borrowers accrued over \$2 billion in interest last year on loans regulated by the OCCC.

Because the annual report totals represent multiple types of loans, the bad debt figure resists analysis in relation to particular types of loan.

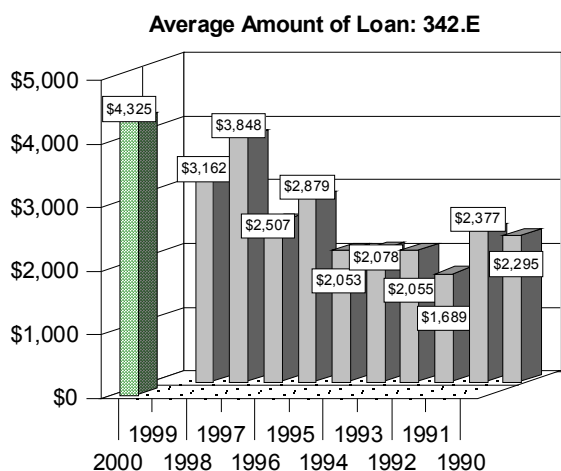
Company Profiles	
Total Assets	\$442,788,153,295
Income From Interest (All Loans Made)	\$2,072,586,144
Bad Debts	\$507,250,532
Escheat Funds Remitted to the State	\$282,608

The figures for the escheat account are predictably small. An escheat account contains funds owed to a customer from a lender, usually the result of a refund. Sometimes, a lender will attempt to make a refund, but is unable to do so, possibly because the refund was returned by the postal system as undeliverable (e.g., because a former customer had moved and left no forwarding address). Lenders then deposit the funds into a special account termed an “escheat.” The company retains those funds in that account for a year, while trying to reach the eligible customer. If the customer is still unreachable at the end of one year, the funds are forwarded to the Comptroller of Public Accounts; the comptroller continues the effort to distribute the funds to the rightful owner.

## CONSUMER INSTALLMENT LOANS

Consumer installment loans (also known as 342.E loans) range in principal from \$500 to \$12,000. Although the number of loans made increased by only 2.5% from 1999 to 2000, the total amount advanced increased by 40%.

Consumer Installment Loans	
Number of Loans Made	388,898
Dollar Amount Loaned	\$1,681,097,527
Interest Earned	\$622,047,099
Number of Receivable Loans (As of 12.31.00)	518,914
Receivable Balances (Total)	\$2,254,712,788



The increase may be partly attributed to mergers within the industry because generally a 342.E lender allows a customer to have only one loan open at a time. When two or more companies merge, the lender will often offer a single (and larger) loan to consolidate all other open loans on the company’s books. The increase may also be attributable to the increase in activity related to automobile refinancing, a practice which has increased recently.

**CHAPTER 346 LOANS**

These loans are usually made by the same lenders that make consumer installment loans. Often this product is referred to as revolving credit, because it provides a line of credit to be used for specific purposes. This information is *not* limited to consumer offerings, but includes commercial activity as well. The use of revolving credit has decreased over the last three years,

Chapter 346 Loans	
Number of Loans Made	78,597
Dollar Amount Loaned	\$143,998,678

and will likely continue to decline as other financial products develop and meet the needs of these borrowers.

**SIGNATURE LOANS**

Signature loans (also known as 342.F loans) have a principal amount of up to \$500 and include payday loans. The average loan size, not including payday loans, has decreased slightly since 1998, but generally remains very stable.

Payday loans were authorized by the Finance Commission of Texas in 2000.

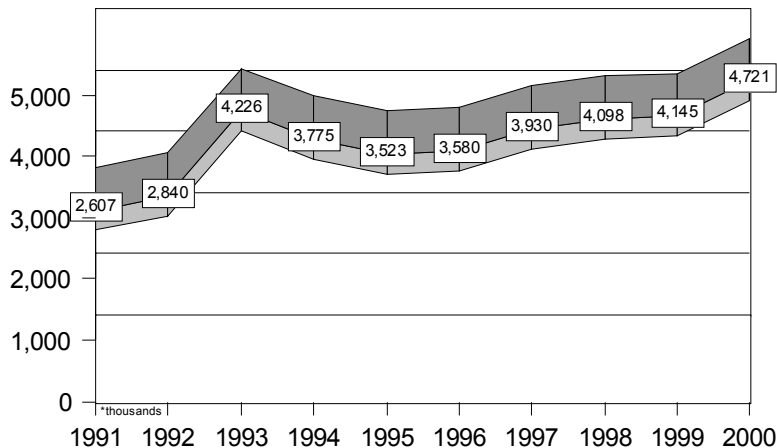
This is the first year information on payday loans was collected by the OCCC. Some payday loans are made by lenders under Texas laws, while other lenders have an affiliation with out-of-state banks that charge rates

higher than allowed under Texas law. The chart above reflects the activity of the in-state lenders as “loans made,” and the activity of the out of state lenders as “brokered loans.”

Signature Loans	
<b>Traditional 342.F Loans</b>	
Number of Loans Made	4,721,479
Dollar Amount Loaned	\$1,310,846,257
A&IAHC Earned	\$322,737,785

<b>Payday Loans</b>	
Number of Loans Made	13,178
Dollar Amount Loaned	\$2,753,374
Number of Brokered Loans	353,903
Dollar Amount Brokered	\$105,679,918

Number of 342.F Loans Made



## MORTGAGE LOANS

Mortgage activity has long been used by economists as an economic indicator. This section presents data on the various types of mortgage activity conducted by OCCC licensed lenders in Texas, including information about home equity and 342.G (second lien mortgage) loans. Home equity loans fall into two broad categories: second mortgage and first mortgage. A second mortgage home equity loan typically is made at a higher interest rate than a first lien transaction.

A first mortgage home equity loan allows a consumer to refinance an existing mortgage and receive cash (traditionally called a Cash Out Refinance). Section 342.G loans are usually home improvement or purchase money loans and do not involve a borrower receiving part of the equity in cash.

The analysis and use of trend data for home equity loans is hampered by the newness of these loan programs in Texas. Home equity lending was authorized in 1997, and was closely followed by a flurry of activity in 1998 and early 1999, making it difficult to identify long-term trends in the marketplace.

Lenders also provided figures for mortgage loans that fall within the jurisdiction of other agencies (labeled in the chart array as Other Mortgage Loans) and primarily represent purchase money first mortgages.

### Mortgage Loans

#### ***2nd Mortgage/Home Equity Loans***

Number of Loans Made	9,069
Dollar Amount Loaned	\$275,260,598
Number of Brokered Loans	3,164
Dollar Amount Brokered	\$142,132,894

#### ***1st Mortgage/Home Equity Loans***

Number of Loans Made	41,795
Dollar Amount Loaned	\$2,500,942,239
Number of Brokered Loans	3,030
Dollar Amount Brokered	\$252,342,447

#### ***342.G Loans***

Number of Loans Made	17,797
Dollar Amount Loaned	\$655,107,433
Number of Brokered Loans	3,559
Dollar Amount Brokered	\$171,914,361

#### ***Other Mortgage Loans***

Number of Loans Made	332,308
Dollar Amount Loaned	\$40,286,054,855
Number of Brokered Loans	23,358
Dollar Amount Brokered	\$3,090,950,373

**Delinquencies and Collections**

**DELINQUENCIES AND COLLECTIONS**

The section profiles the delinquency and collections activity for two broad loan categories: home equity and all other regulated loans.

***Delinquencies and Collections for Home Equity Loans***

Number of Accounts Overdue 60-89 Days	1,371
Dollar Amount Overdue 60-89 Days	\$603,363,226
Percentage of Loans Made Overdue 60-89 Days	2.58%
Number of Accounts Overdue 90 Days	2,273
Dollar Amount Overdue 90 Days	\$120,081,366
Percentage of Loans Made Overdue 90 Days	4.27%
Number of Repossessions	419
Dollar Amount of Repossessions	\$21,698,220
Percentage of Loans Requiring Repossession	0.79%
Number of Collateral Sales	271
Dollar Amount Received from Collateral Sales	\$8,822,521
Percentage of Loans With Collateral Sales	0.05%
Number of Suits Filed	585
Total Dollar Amount of Suits	\$29,588,906
Percentage of Loans With Suits Filed	1.10%

***Delinquencies and Collections for Other Regulated Loans***

Number of Accounts Overdue 60-89 Days	52,355
Dollar Amount Overdue 60-89 Days	\$76,290,800
Percentage of Loans Made Overdue 60-89 Days	1.02%
Number of Accounts Overdue 90 Days	102,655
Dollar Amount Overdue 90 Days	\$247,267,408
Percentage of Loans Made Overdue 90 Days	2.00%
Number of Repossessions	2,560
Dollar Amount of Repossessions	\$23,073,125
Percentage of Loans Requiring Repossession	0.05%
Number of Collateral Sales	2,027
Dollar Amount Received from Collateral Sales	\$25,114,787
Percentage of Loans With Collateral Sales	0.04%
Number of Suits Filed	2,513
Total Dollar Amount of Suits	\$14,070,803
Percentage of Loans With Suits Filed	0.05%

## INSURANCE AND ANCILLARY PRODUCTS SOLD BY LENDERS

This category lists the peripheral products some licensees sell in conjunction with loans. Credit insurance is by far the most frequently sold item. Generally, the policy coverage is limited to the loan obligation attached to the insurance. There are five types of credit insurance:

- **Life:** pays loan balance if the borrower dies
- **Accident and Health:** makes limited monthly loan payments if the borrower cannot work for health reasons
- **Property:** pays to fix or replace items bought on credit or used as collateral
- **Involuntary Unemployment:** makes limited monthly loan payments if the borrower cannot make payments due to job loss
- **Non-filing:** pays the lender if the collateral pledged becomes unavailable on collection

TEXAS FINANCE CODE, Section 342.I provides the restrictions on the sale of these insurance products. Among other variables, the type of loan and the kind of lender determine what, if any, insurance products can be included in a loan contract. For example, credit insurance cannot be sold on a 342.F loan.

Non-credit insurance policies, such as term life, are recorded in the Non-Credit Insurance chart. Selling certain products required some lenders to obtain a license from the Texas Department of Insurance.

Lenders did sell a significant number of miscellaneous products, such as jewelry. A licensee can sell ancillary products but the sale must be entirely separate from the loan contract.

### Insurance and Ancillary Products Sold by Lenders

#### ***Credit Life Insurance***

Number of Policies Sold	230,350
Percentage of Eligible Loans Covered	51.9%
Number of Claims Paid	2,547
Percentage of Eligible Lenders Making Sales	1.8%

#### ***Credit Accident and Health Insurance***

Number of Policies Sold	184,552
Percentage of Eligible Loans Covered	48.8%
Number of Claims Paid	12,963
Percentage of Eligible Lenders Making Sales	1.5%

#### ***Property Insurance***

Number of Policies Sold	200,884
Percentage of Eligible Loans Covered	33.5%
Number of Claims Paid	859
Percentage of Eligible Lenders Making Sales	1.0%

#### ***Involuntary Unemployment Insurance***

Number of Policies Sold	131,304
Percentage of Eligible Loans Covered	23.3%
Number of Claims Paid	2,976
Percentage of Eligible Lenders Making Sales	0.7%

#### ***Miscellaneous***

Number of Sales	34,123
Dollar Amount of Sales	\$5,451,501
Percentage of Eligible Lenders Making Sales	0.7%