MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT

Bob Holden
Governor

DIVISION OF FINANCE

Joseph L. Driskill
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D. Eric McClure
Commissioner

January 8, 2003

The Honorable Bob Holden
Governor
Office of the Governor
Missouri Capitol Building
Room 218
Jefferson City, Missouri 65102

Re: Report to General Assembly pursuant to section 408.506, RSMo

Dear Governor Holden:

The Division of Finance has, in accordance with section 408.506, RSMo (Supp. 2002), conducted a survey of the so-called "payday lenders" operating pursuant to section 408.500. We have attached a blank copy of the form used to conduct this survey by mail. Please note that the task was made somewhat difficult by the time constraints of section 408.506: we were instructed by that section which took effect on August 28, 2002 to file this report by January 1, 2003. In order to have time to gather and analyze the data, we were obliged to use a reporting timeframe of October 1, 2001 through September 30, 2002. Nonetheless, we believe the following summary information gives a picture of the Missouri payday loan industry as the calendar year 2003 began. We have preserved the survey forms which were filed by the individual lenders.

The total number of payday loan licenses issued during the calendar year 2002 was 912. These licenses were widely dispersed with some active in very small communities. Lenders closed and opened locations throughout the year with over 800 being the average number of active licensees operating at a given time.

The total number of payday loans made by these companies between October 1, 2001 and September 30, 2002 exceeded 2 million.

The mean average loan was $222.05 with the most commonly occurring loan amount being $200.

The mean number of renewals was 2.8 with the most commonly occurring number of renewals being 3.

The most common APR was 391.07% which represents $15 per $100 for 14 days. Interestingly enough, we did note a number of lenders charging 365% which is a dollar a day per $100 borrowed. We also found a very few charging 730% or two dollars per day per $100 borrowed. By far the highest rate charged was 1022%; the lowest rate being charged was 152.31%. The mean average APR was 413.48%.

Lenders reported defaults totaled about 6.15% of the number of loans made.

616 lenders reported charging an NSF fee, 155 charged a late fee, and 10 collected origination fees.

Citizen complaints against payday lenders are not numerous considering the number of lenders and the volume of loans. Most of such complaints are made by telephone. During the period of October 1, 2001 through September 30, 2002, there were about 300 complaints filed against such lenders. Most of these were from citizens who, after taking out the loan, saw the triple digit APR and believed the rate to be unlawful. In such cases, we explained the law and closed the file. On five occasions, the "complaint" was that the borrower had made a loan with each of several lenders and the payments had gotten to the point that the borrower simply could no longer pay the interest. In those cases, we have contacted the various lenders to see if any modification was possible. Two borrowers claimed their payments were not being properly applied; on-site visits by examiners proved this correct in one case and this was corrected by recasting. One citizen complained that he was charged three extra days' interest although the lender had been closed during normal business hours when the borrower had arrived to make the payment; this was confirmed and then corrected by having the lender treat the payment as though received on Friday when the customer was there but unable to pay. Finally, there were two cases where the lenders did not refund for prepayment; these were corrected by having the lenders run their entire files and make supplemental refunds.

As section 408.506 also requires the Division to summarize the payday loan laws from contiguous states, we invite your attention to the attached chart.

We believe the foregoing satisfies the requirements of section 408.506.

Very truly yours,

D. Eric McClure
Commissioner of Finance

DEM:tkp
Enclosures

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[«License_Type»-«License_Year»-«Location_ID»]

October 10, 2002

To: «Licensee_Name_including_DBA» «Store»
«Location_Address1»
«Location_Address2»
«City», «State» «Zip»

Re: Section 408.500 Lender Survey

Section 408.506 requires that the Division of Finance report certain information from the section 408.500 lenders to the General Assembly. This will require your cooperation. PLEASE RETURN THIS FORM TO OUR OFFICE WITH THE REQUESTED INFORMATION **NOT LATER THAN NOVEMBER 1, 2002**. ALL DATA SHOULD BE FOR THE PREVIOUS 12 MONTHS THAT ENDED SEPTEMBER 30, 2002.

Number of loans made in the previous 12 months that ended 9/30/02: _____

Average principal amount of such loans: $_____

Circle the average number of renewals per loan: 0 1 2 3 5 6

Number of defaulted loans in the previous 12 months that ended 9/30/02: _____

What annual percentage rate or rates do you typically charge? Example: 391.07% APR

_____

What other fees do you charge: **NSF fee** _____

Late fee _____

Origination fee _____

STATEMENT: The undersigned states that (s)he is a(n) (officer) (principal) (partner) (authorized representative) of the company above named and that the facts contained in the foregoing are true.

_____

Signature/Title – Phone: _____

PAYDAY LOANS IN CONTIGUOUS STATES

	Licenses	Maximum Loan	Rate	Term	Renewals	Complaints
Missouri	912	$500	not directly limited but a loan and all renewals thereof may not earn more interest than 75% of the original principal	14 day minimum 31 day maximum	Limited to 6	Approximately one per working day
Arkansas	No Law					
Kansas	134	$860	$5.50 on a loan of $50 or less; $50.01-$100 10% + $5 fee; $100.01-$250 7% + $5 fee; $250.01 to $860 6% + $5 fee	No minimum but 30 day maximum	Forbidden	Rare
Iowa	150	$500	$15 on the first $100 and $10/$100 thereafter	Minimum 14 days and Maximum 31 days	Forbidden	Rare
Tennessee	1100	$200	$15 per $100	No minimum but 31 day maximum	Forbidden	Rare
Kentucky	464	$500	$15 per hundred	14 days	Forbidden	Rare
Nebraska	163	$500	$15 per $100	No minimum but a 31 day maximum	Forbidden	Rare
Illinois	585	None (may be any amount)	No limit	No maximum or minimum but industry practice is over 30 days to avoid Department regulations	Limited to 2	Rare
Oklahoma	642	$740	240 % APR	Maximum 10 months minimum 2 months unless under $110.96 which would be 30 days minimum	Available without limit	Occasionally Received