MISSOURI
DEPARTMENT OF ECONOMIC DEVELOPMENT
DIVISION OF FINANCE

Matt Blunt
Governor

Garry Taylor
Acting Director

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January 18, 2005

The Honorable Matt Blunt, Governor
State Capitol Building
Room 218
Jefferson City, Missouri 65101

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

Dear Governor Blunt:

The Division of Finance has, in accordance with section 408.506, RSMo, conducted a survey by mail of the so-called "payday lenders" operating pursuant to section 408.500. The reporting timeframe was October 1, 2003 through September 30, 2004. The summary which follows presents a picture of the Missouri payday loan industry as calendar year 2005 began based on a 94.1% return of surveys by the industry. We have preserved the survey forms which were filed by the individual lenders, and we have attached a blank copy of the survey form.

1,198 payday loan licenses were issued during calendar year 2004. Lenders closed and opened locations throughout the year with 1,100 being the approximate average number active at a given time, a 37.5% increase over the previous survey dated January 8, 2003 (hereafter "previous survey"). These licenses were widely dispersed with some active in very small communities.

The total number of payday loans made during the reporting period approached 2.6 million, an increase of 30% from the previous survey. For purposes of this survey, a renewal was treated as a separate loan.

The average loan was $241.11 (an increase of nearly $20 from the previous survey) with the most commonly occurring loan amount being $300 (up from the previous survey's $200).

The average of renewals was 2.2 with 3 being the most commonly occurring number. The 2.2 average was a drop from 2.8 noted in the previous survey. This drop may be attributed to the trend toward companies allowing fewer renewals in order to stay within the 75% cap on interest and fees on a loan and all related renewals; this cap was effective August 28, 2002.

The most common APR --- 391.07% --- was reported by 66% of the respondents; 22% of the lenders charged more and 12% charged less. The 391.07 APR rate represents $15 per $100 for 14 days. Another commonly reported APR was 469.29% which is $18 per $100 for 14 days. Several lenders reported charging 365%, i.e., a dollar a day per $100 borrowed. One company charges 730% or two dollars per day per $100 borrowed. By far the highest reported rate was 1277.5%; the lowest reported was 100%. The mean average APR was 408.03%.

Lenders reported that charge-offs have totaled about 5.4% of the number of loans made. This compares to 6.15% reported at the previous survey.

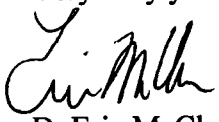
820 lenders reported charging an NSF fee, 226 charged a late fee, and 7 collected origination fees.

During the reporting period, there were approximately 350 complaints about payday loans or payday 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 a number of occasions, the "complaint" was that the borrower had made a loan with each of several lenders and, the rates being what they were, the borrower simply could no longer pay the interest. In those cases, we contacted the various lenders to see if any modification was possible. Other complaints involved a multitude of areas which include such things as checks being deposited early, collection tactics, proper crediting of payments, and customers being unable to make payments as the location was closed. In most cases, resolution was had by telephone contact with the licensee. Examiners made a few on-site visits and any necessary corrections were made by recasting accounts and/or refunding.

As section 408.506 also requires the Division to summarize the payday loan laws from contiguous states, we conducted a survey of such states' laws by telephone. 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
Enclosure

PAYDAY LOANS IN CONTIGUOUS STATES

	Licenses	Maximum Loan	Rate	Term	Renewals	Complaints
Missouri	1,198	$500	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	173 deferred presentment licensees	$400	10% of the check + $10	6 day minimum 31 day maximum	Forbidden	Rare
Kansas	207	$500	$5.50 on a loan of $50 or less; $50.01-$100 10% + $5 fee; $100.01-$250 7%(minimum $10) + $5 fee; $250.01 to $500 6% (min $17.50) + $5 fee	7 day minimum 30 day maximum	Forbidden No more than 3 loans in 30 days	Rare
Iowa	210	$500	$15 on the first $100 and $10/$100 thereafter	Minimum 1 day Maximum 31 days	Forbidden	Rare
Tennessee	1,300	$500	$15 per $100 but maximum $30	No minimum but 31 day maximum	Forbidden	Rare
Kentucky	400	$500	$15 per hundred	14 days	Forbidden	Rare
Nebraska	159	$500	$15 per $100	No minimum but a 31 day maximum	Forbidden	Rare
Illinois	1,097	None (may be any amount)	No limit	No maximum or minimum	Limited to 2	Rare
Oklahoma	355	$760	240 % APR	Minimum 1 month Maximum 10	Available without limit	Occasionally Received

October 27, 2004

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

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 22, 2004**. ALL DATA SHOULD BE FOR THE PREVIOUS 12 MONTHS THAT ENDED SEPTEMBER 30, 2004. For questions, please call Tammy Prater at 573-751-3463.

Number of loans made in the previous 12 months that ended 9/30/04: _____

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 9/30/04: _____

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 _____

If offered and for an additional convenience fee payable by the licensee, would you be interested in making your licensing fee payment via credit or debit card? Yes or No
If yes, would you prefer making your payment via: Internet or Telephone

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: _____