



The Georgia Industrial Loan Association

Norman Kinsler Loan Managers School

Training and Reference Manual

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Georgia Industrial Loan Act

History

The Georgia Industrial Loan Act, rules and regulations, began on May 4, 1955 by session of the General Assembly.

Norman Kinsler was the owner and operator of Apec Loan in downtown Atlanta for many years. During this time he was a Director in the Georgia Industrial Loan Association and was instrumental in the development of a loan manager's training manual. This was done in the cooperation with the Georgia Industrial Loan Department and led to the establishment of a school to prepare individuals to be a loan office manager. He was also one of the first instructors, along with the Industrial Loan Department officials.

Georgia Industrial Loan Act

7-3-1. Short title.

This chapter shall be known and may be cited as the "Georgia Industrial Loan Act."

7-3-2. Purpose of chapter.

The purpose of this chapter is to authorize and provide regulation of the business of making loans of \$3,000.00 or less and to bring within the regulation of this chapter and within its provisions all loans of \$3,000.00 or less, whether or not made by a person organized or operating under the provisions and authority of some other statute, except those persons and loans expressly exempted by the terms of this chapter. Even though authorized by other statutes of force, such loans and the persons making them, unless expressly exempted, shall be within the operation of this chapter in accordance with its terms.

7-3-5. Applicability of chapter - Transactions by which money is paid others.

A loan and brokerage transaction or any other transaction by which money is paid or agreed to be paid others by the borrower in order to obtain the loan shall be subject in all respects to this chapter, if it involves a transaction of \$3,000.00 or less and is not otherwise specifically exempted by the terms of this chapter; and the interest and money paid or agreed to be paid others by the borrower in order to obtain the loan shall not exceed the charges authorized by this chapter, and the application of Code Section 7-4-8 is modified accordingly.

7-3-6. Exemptions from chapter.

This chapter shall not apply to businesses organized or operating under the authority of any law of this state or of the United States relating to banks, trust companies, real estate loan or mortgage companies, federal savings and loan associations, Georgia building and loan associations, credit unions, and pawnbrokers or to the transactions of such businesses, which businesses are expressly excluded from regulation under this chapter and exempted from the operation of its provisions. This chapter also shall not apply to the University System of Georgia or its educational units, to private colleges and universities in this state and associations thereof, or to student loan transactions of such educational entities, which educational entities and student loan transactions thereof are expressly excluded from regulation under this chapter and exempted from the operation of its provisions. It is expressly provided that no bank, trust company, national bank, insurance company, or real estate loan or mortgage company authorized to do business in this state shall be required to obtain a license under this chapter nor shall the University System of Georgia or its educational units or private colleges and universities in this state and associations thereof be required to obtain a license under this chapter. It is further provided that persons making loans and charging interest thereon at a rate of not more than 8 percent simple interest per annum shall not be subject to this chapter or required to obtain a license under this chapter.

120-1-3-.02 Definition of "Loans Within the Act".

Whether a loan transaction falls within the provisions of the Georgia Industrial Loan Act as amended, is not necessarily determined by the face amount of the note but by the amount advanced, in cash or otherwise, including insurance premiums, but excluding interest and fees which may be added to arrive at the face amount of the note. The transaction shall be deemed within the Industrial Loan Act if the amount so advanced, including insurance premiums but excluding interest and other fees, is a loan as defined in the Act.

Basic Loan Calculations

- Per Annum
- Interest
- Loan Fees
- Maintenance charges

Per Annum

Per annum = by the year, annually

Example # 1: the loan is \$120.00 for 12 months,
Interest 5 % per annum

\$120.00
X 5% =
\$6.00 interest for 12 months

Example # 2 the loan is \$120.00 for 6 months,
Interest 5 % per annum

\$120.00
x 5% =
\$6.00 interest for 12 months (one year or per annum)

*When the loan length is not 12 months
the next step is to determine the per month charge

\$6.00
divided by 12 = \$.50 per month
\$0.50
x 6 (months) =
\$3.00 interest for 6 months

7-3-14(1) INTEREST

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 all contracts, interest or discount shall be computed proportionately on equal calendar months;

Example: the entire interest charge is divided into as many payments as there are calendar months during the term of the loan

Per annum = by the year, annually

Example # 1: the loan is \$120.00 for 12 months,
Interest 10 % per annum
\$120.00
X 10% =
\$12.00 interest for 12 months

Example # 2: the loan is \$120.00 for 6 months,
Interest 10 % per annum
\$120.00
x 10% =
\$12.00 interest for 12 months (one year or per annum)

*When the loan length is not 12 months the next step is to determine the per month charge

\$12.00
divided by 12 = \$1.00 per month
\$1.00
x 6 (months) =
\$6.00 interest for 6 months

OCGA 7-3-14(2) LOAN FEE

In addition thereto, a licensee may charge, contract for, receive, or 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 Section 7-4-18. If a borrower prepays his or her entire loan to a licensee and within the following 15 days makes a new loan with 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;

This is a straight fee, NOT per annum.

Fees

Example # 1: \$600 Face Amount

A fee of 8 % of the first \$600.00

\$600 Face Amount
X 8% = Fee
\$48.00 Total Fees

of the Face Amount of the contract
plus
4 % of the excess

Example # 2: \$1,000.00 Face Amount, the fee (\$600.00 x 8% = \$48.00)

This is a two-part calculation

\$600 Face Amount
X 8% = Fee
\$48.00 Total Fees

\$1,000 - \$600 = \$400 (the excess)

\$400.00 8% fee is \$48.00
X 4% = 4% fee is \$16.00
\$16.00 Total fees = \$64.00

We will discuss restricted periods later in the course.

7-3-14(5) MAINTENANCE CHARGE

In addition thereto, 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. Refunds of unearned maintenance charges shall be made in accordance with the method prescribed in Code Section 7-3-17, and such maintenance charges will be subject to paragraph (4) of this Code section.

120-1-15-.06 Maintenance Charges Not to Be Considered in Calculation of Interest, Fees, Insurance and Other Charges.

Maintenance charges shall be considered as an additional charge and:

(a) Shall not be considered in the calculation of any interest, fees, or other charges otherwise authorized by law or regulations including charges for any premiums for insurance written in connection with a consumer loan; provided, that such maintenance charges will be subject to the provisions of O.C.G.A. § 7-3-14.

(b) A borrower's failure to pay any maintenance charges applicable to the loan when due shall not be considered by a licensee as the occurrence of an event which causes the outstanding unpaid balance of the loan contract to become immediately due and payable by virtue of any acceleration clause or other similar clause or provision contained in the loan contract.

120-1-15-.04 Maintenance Charges; When Applicable; How Computed; How Collected.

(1) A licensee may collect from the borrower of a consumer loan written pursuant to the Georgia Industrial Loan Act a monthly maintenance charge as specified in the Act for each month that such loan is maintained by the licensee and such maintenance charges shall be calculated and collected as follows:

(a) The "total maintenance charges collectible" over the entire term of the consumer loan shall not exceed the amount obtained by multiplying the total number of months in the term of the loan contract by the monthly maintenance charge specified in the Act except as provided in subsection (c) of this Rule.

(b) The "total maintenance charges collectible per installment" shall not exceed the amount obtained by dividing the "total maintenance charges collectible" as calculated in (a) above by the total number of installments contemplated in the loan contract except as provided in subsection (c) of this Rule.

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 is \$3.00 for each 30 day period

Example: 12 month loan, 12 x \$3.00(per month) = \$36.00 maintenance charge

12	months
X \$3.00 =	Maintenance charge
\$36.00	Total Maintenance Charges

120-1-10-.02 Installment Loans.

(1) Single payment loans shall be repayable on terms not to exceed three calendar months. All other loan repayments shall be made in equal installments, either weekly, every two weeks, semi-monthly or monthly, except that the final installment may be in an amount greater, but not more than one dollar (\$1.00) greater than the other periodic installments. With the exception of single payment loans, the initial installment on all loans shall become due within a period not to exceed forty-five (45) days from the date on which the loan is made but not sooner than the regular installment period, whereby fees in excess of those authorized by the Act are charged.

7-3-15 Limitation on further charges.

No licensee shall charge, contract for, or receive any other or further amount in connection with any loans authorized by this chapter in addition to those provided in Code Section 7-3-14, except the actual lawful fees paid to a public official or agency of the state for filing, recording, or, on loans over \$100.00, the amount of the lawful premiums, no greater than such fees, actually paid for insurance against the risk of non-recording or releasing any instrument securing the loan; the court costs and attorney fees authorized by law incurred in the collection of any contract in default; and the actual and reasonable expenses of repossessing, storing, and selling any collateral pledged as security for any contract in default. No licensee shall divide into separate parts any contract for the purpose or with the effect of obtaining charges in excess of those authorized by this chapter.

- a. Actual lawful fees paid to a public official or agency of the state for filing or recording: Property \$10.00, Auto \$18.00
- b. On loans of a gross amount over \$100.00, the amount of lawful premiums actually paid for insurance against the risk of non-recording
- c. The cost of releasing any instrument securing the loan.
- d. The court cost and attorney's fees authorized by law incurred in the collection of any contract in default.
- e. The actual and reasonable expenses of repossessing, storing, and selling any collateral pledged as security for any contract in default.

120-1-14-.05 Late Charge.

O.C.G.A. § 7-3-14(4) specifically provides that a licensee may charge and collect from the borrower a late or delinquent charge of \$10.00 or an amount equal to .05¢ for each \$1.00 of any installment which 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. Therefore, a licensee is not authorized to charge and collect a late or delinquent charge from a borrower until such time as that borrower has actually failed to pay an installment within five days after the date such payment was due. Under no circumstances is a licensee authorized to charge or collect and hold any unearned late or delinquent charge in advance, to be refunded if said installment is paid on or within five days from the date such payment is due.

Example:

Date of payment	1/1/2011
Fifth day after payment due	1/6/2011
Late charge may be collected any day on or after	1/7/2011

At any time when the fifth day falls on any day that you are closed, such as Saturday, Sunday or a legal holiday, the fifth day is extended to the next working day. This applies only to the fifth day.

120-1-10-.04 Maximum Interest Per Month.

(1) 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 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.

(2) No licensee shall compute a loan and repayment thereon with interest figured on a monthly basis and require the loan to be repaid in weekly, bi-weekly or semi-monthly installments, which, when computed on the actual basis of repayment, exceeds the limit under the Act.

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	$\$6.44 \times 9 \times 10 / 10 / 11 = \5.27 or $\$6.44 \times .81818 = \5.27
A&H	\$46.92	\$38.39	$\$46.92 \times 9 \times 10 / 10 / 11 = \38.39
Property	\$15.33	\$12.54	$\$15.33 \times 9 \times 10 / 10 / 11 = \12.54
NRI	\$10.00	\$0.00	0
Interest	\$76.67	\$62.73	$\$76.67 \times 9 \times 10 / 10 / 11 = \62.73
8% Fee	\$48.00	0	0
4% Fee	\$12.80	0	0
Additional Charge -Maintenance Fee	\$30.00	\$24.55	$\$30 \times 9 \times 10 / 10 / 11 = \24.55
$\$920.00 \times 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		

loan paid off in second 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	\$ 4.22	$6.44 \times 8 \times 9 / 10 / 11 = \4.22
A&H	\$46.92	\$30.71	$46.92 \times 8 \times 9 / 10 / 11 = \30.71
Property	\$15.33	\$10.03	$15.33 \times 8 \times 9 / 10 \times 11 = \10.03
NRI	\$10.00	\$ 0.00	0
Interest	\$76.67	\$50.18	$76.67 \times 8 \times 9 / 10 / 11 = \50.18
8% Fee	\$48.00		0
4% Fee	\$12.80		0
Additional Charge - Maintenance Fee	\$30.00	\$19.64	$30 \times 8 \times 9 / 10 / 11 = \19.64

$\$920.00 \times 5\% = \46.00

maximum interest you can earn in the first month

$\$825.00 \times 5\% = \41.25

maximum interest you can earn in the second month

$\$46.00 + \$41.25 = \$87.25$

$\$76.67 + \$48.00 + \$12.80 = \137.47

Total charged by loan company, Interest & Fees

$\$137.47 - \$87.25 = \$50.22$

Total charges by company minus 5% allowed by law equals amount that should be refunded

$\$50.22 - \$50.18 = \$0.04$

Amount that should be refunded minus interest that was refunded equals total due to consumer

\$00.04 is refunded from fees

Fees are not required to be refunded

loan paid off in third 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	\$ 3.28	$6.44 \times 7 \times 8 / 10 / 11 = \3.28
A&H	\$46.92	\$23.89	$46.92 \times 7 \times 8 / 10 / 11 = \23.89
Property	\$15.33	\$ 7.80	$15.33 \times 7 \times 8 / 10 \times 11 = \7.80
NRI	\$10.00	\$ 0.00	0
Interest	\$76.67	\$39.03	$76.67 \times 7 \times 8 / 10 / 11 = \39.03
8% Fee	\$48.00		0
4% Fee	\$12.80		0
Additional Charge -Maintenance Fee	\$30.00	\$15.27	$30 \times 7 \times 8 / 10 / 11 = \15.27

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

$\$825.00 \times 5\% = \41.25 maximum interest you can earn in the second month

$\$730.00 \times 5\% = \36.50 maximum interest you can earn in the third month

$\$46.00 + \$41.25 + 36.50 = \$123.75$

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

$\$137.47 - \$123.75 = \$13.72$ Total charges by company minus 5% allowed by law equals amount that should be refunded

$\$13.22 - \$39.03 = -\$25.81$ Amount that should be refunded minus interest that was refunded equals total due to consumer

\$00.00 is refunded from fees Fees are not required to be refunded

The amount refunded exceeded the required amount, therefore, no additional refund due

7-3-14. Maximum loan amount, period, and charges.

Every licensee under this chapter may loan any sum of money not exceeding \$3,000.00 for a period of 36 months and 15 days or less and may charge, contract for, collect, and receive interest and fees and may require the fulfillment of conditions on such loans as provided in this Code section:

Fees

A fee of 8 % of the first \$600.00
of the Face Amount of the contract
plus
4 % of the excess

Face Amount of Contract:

All calculations are based on the Face Amount

Face Amount of Contract means amount borrower must borrow to obtain amount desired.

Definitions:

Amount Financed = cash advance + insurance premiums

Principal = Amount Financed + fee

Note = Principal + interest

Total payments = note + maintenance charge

Finance charge = interest + fee + maintenance chargers

On loans through (not exceeding) 18 months:

Amount borrowed in discount loans includes principal and interest. Amount borrowed equals total payback figure (excluding maintenance charges) only for discount loans, in which both principal and interest are borrowed.

On loans exceeding 18 months:

Amount necessary to borrow does not include interest. Where note is for more than 18 months, amount necessary for borrower to borrow does not include interest on the note (excluding maintenance charges).

Example:

On loans through (not exceeding) 18 months the interest is *discounted*.

Example: if you take out a 12 month loan of \$1000(face amount) at a interest rate of 10%, from the face amount. the interest (\$100.00) is discounted "subtracted" .

All charges except "Maintenance Charges" are deducted from the face amount. On loans not exceeding 18 months, the face amount of the contract will be the Note (Principal + Interest).

Example:	\$95.00 X 12 (monthly payments) = \$1140.00
\$ 827.79	cash received by borrower
\$ 10.00	Non-filing fee
\$ 56.30	Disability Ins
\$ 9.27	Life Ins
\$ 22.08	Property Ins
\$ 925.44	Amount Financed
\$ 48.00	Fee 8%
\$ 20.16	Fee 4%
\$ 110.40	Interest
\$1,104.00	FACE AMOUNT OF CONTRACT

\$36.00 Maintenance Charge

Amount Financed = cash advance + insurance premiums $827.79 + 10.00 + 56.30 + 9.27 + 22.08 = 925.44$ Amount Financed

Principal = Amount Financed + fee $925.44 + 68.16 = 993.36$ Principal

Note = Principal + interest $993.36 + 110.40 = 1104.00$ Note (Face Amount)

Total payments = note + maintenance charge

Example:

On loans exceeding 18 months the interest is *added on*.

Example: If you take out a 24 month loan of \$1000 at an interest rate of 10%, you would add \$200 (interest) to the principal amount. The interest is added to the principal.

On loans exceeding 18 months, the face amount of the contract will be the Principal (Amount financed + fee)

Example:	\$ 139.00	X	24 (monthly payments)	=	\$3120.00
	\$2,231.24		cash received by borrower		
	\$ 10.00		Non-filing fee		
	\$ 51.21		Life Ins		
	\$ 121.92		Property Ins		
	\$2,414.40		Amount Financed		
	\$ 48.00		Fee 8%		
	\$ 77.60		Fee 4%		
	\$ 508.00		Interest		
	\$2,540.00		FACE AMOUNT OF CONTRACT		

\$72.00 Maintenance Charge

Amount Financed = cash advance + insurance premiums $2231.27 + 10.00 + 51.21 + 121.92 = 2414.40$ Amount Financed

Principal = Amount Financed + fee $2414.40 + 125.60 = 2540.00$ Principal also (Face Amount)

Note = Principal + interest $2540.00 + 508.00 = 3048.00$ Note

Total payments = note + maintenance charge $3048.00 + 72.00 = 3120.00$ Total payments

Very Basic Loans

(8% of first \$600 & 4% of remainder)

1. A new loan is made to a new borrower in the amount of \$360.00

8%	4%
$\$360 \times 8\% = \28.80	$\$0.00$

2. A new loan is made to a new borrower in the amount of \$980.00

8%	4%
$\$600 \times 8\% = \48.00	$\$380 \times 4\% = \15.20

Dual Loans

120-1-10-.03

(5) Loan fees upon renewals are restricted as provided in the Act. Where a customer has more than one loan with a licensee and seeks to renew any two loans, the restricted fee provision of the Act shall be applied to the aggregate total balance on all loans being renewed.

(6) Dual Loans. Interest and fees on a second and all subsequent loans by the same borrower or borrowers shall not exceed the interest and fees collectible if all the loans were consolidated into one, at the date of execution of such second or subsequent loan.

Basic Dual Loan Rules

- a. Time Makes no Difference
- b. Some fee on all of the face amount on the new loan
- c. Use the gross unpaid balance of the open loan in calculations
- d. Cannot charge more on all loans the customer has than you could if you made (1) loan for the total (interest & fees)
- e. A Dual Loan is an instance where a person or several persons jointly have more than one (open) loan with a licensee at the same time

DUAL LOAN EXAMPLE 1

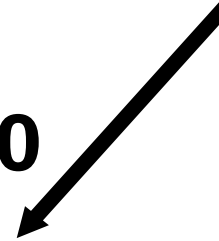
OPEN BALANCE

\$320.00



FACE AMOUNT NEW LOAN

\$250.00



\$320.00

+ \$250.00



\$570.00



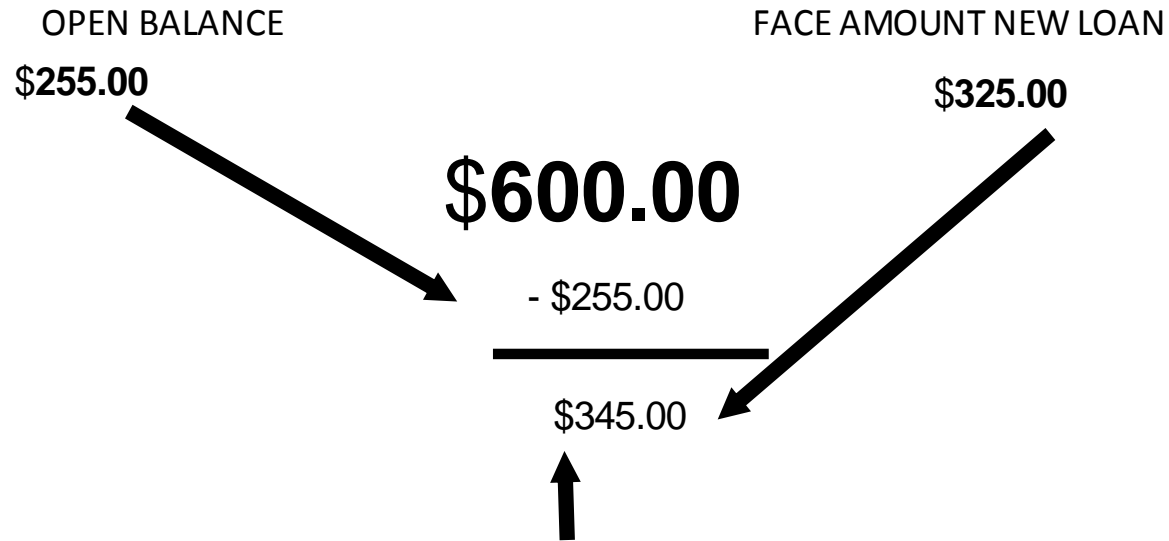
The total of the balances is **LESS** than \$600.00.

You can charge 8% on the first \$600.00 loaned to a customer

Therefore you may charge a full 8% on the Face Amount of the New Loan

$$\mathbf{\$250.00 \times 8\% = \$20.00}$$

Dual Loan Example # 2



THERE IS **\$345.00** OF 8% FEE STILL AVAILABLE.

THE FACE AMOUNT OF THE **NEW LOAN** IS A **LESSER** AMOUNT

SIMPLY CHARGE 8% ON THE FACE AMOUNT OF THE NEW LOAN.

$$\$325.00 \times 8\% = \$26.00$$

DUAL LOAN EXAMPLE #3

OPEN BALANCE

\$ 645.00

NEW LOAN FACE AMOUNT

\$ 1400.00

OPEN GROSS BALANCE IS AN AMOUNT GREATER THAN \$ 600.00

THEREFORE THERE IS **NO 8% FEE** AVAILABLE

SIMPLY CHARGE **4%** ON THE FACE AMOUNT OF THE NEW LOAN

$$\$1400.00 \times 4\% = \$56.00$$

Dual Loan example # 4

UNPAID GROSS BALANCE

FACE AMOUNT NEW LOAN

\$610.00

\$2250.00

THE BALANCE ON LOAN #1 (BEING LEFT OPEN) IS AN AMOUNT
GREATER THAN 600.00. THEREFORE, THERE IS NO 8% FEE AVAILABLE

SIMPLY CHARGE 4% ON THE FACE AMOUNT OF THE NEW LOAN.

$\$2250.00 \times 4\% = \90.00 NEW LOAN FEE

DUAL LOAN EXAMPLE #5

Where Face Amount of New Loan exceeds 600.00

OPEN GROSS BALANCE

\$340.00

FACE AMOUNT OF NEW LOAN

\$860.00

\$600.00

-\$340.00

\$260.00

The Open Gross Balance when subtracted from \$600.00 is Less than \$600.00 therefore \$260.00 of the Face Amount of the New Loan is eligible for the 8 %

$$(\$260.00 \times 8\% = \$20.80)$$

Some fee is charged on all the Face Amount of the New Loan

The Remaining **\$600.00** (\$860.00 minus \$260.00) of the Face Amount of the New Loan is eligible for 4% rate

$$\$600.00 \times 4\% = \$24.00$$

DUAL LOAN EXAMPLE # 6

Where Face Amount of New Loan exceeds 600.00

OPEN GROSS BALANCE

\$450.00

FACE AMOUNT OF NEW LOAN

\$1100.00

\$600.00

-\$450.00

\$150.00

The Open Gross Balance when subtracted from \$600.00 is LESS than \$600.00 therefore

\$150.00 of the Face Amount of the New Loan is eligible for the 8% rate

$$(\$150.00 \times 8\% = \$12.00)$$

Some fee is charged on all the Face Amount of the New Loan

The Remaining **\$950.00** (\$1100.00 minus \$150.00) of the Face Amount of the New Loan is eligible for 4% rate

$$\$950.00 \times 4\% = \$38.00$$

Renewals

7-3-14. Maximum loan amount, period, and charges.

(2) LOAN FEE. In addition thereto, a licensee may charge, contract for, receive, or 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 Section 7-4-18. If a borrower prepays his or her entire loan to a licensee and within the following 15 days makes a new loan with 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;

All Loans are restricted for Two Months

The 15 day restricted provision included in the Act does not extend beyond the two or six month period. Whichever restriction expires first governs.

Under the GILA, ALL months in Georgia are 30 days.

The 2 & 6 months periods are counted by counting the last day.

Loan made on 1-15

Loan payoff on 7-12

6th month on 7-15

Out of restriction on 7-16

Loan can be re-opened on 7-16, even though 15 days have not elapsed, due to the restricted period ending on 7-15

Restricted Renewal Rules

The term "Restricted" applies to how 8% and 4% Fees are calculated on Renewed Loans.

TIME MAKES ALL THE DIFFERENCE (15 DAYS, 2 MONTHS, 6 MONTHS)

NO FEE ON RESTRICTED RENEWAL BALANCE BEING PAID OFF

USE THE NET BALANCE OF THE LOAN BEING PAID OFF IN CALCULATIONS

ALL LOANS, REGARDLESS OF SIZE, ARE RESTRICTED FOR 2 MONTHS

RESTRICTED

\$300.00 OR LESS

RESTRICTED FOR 2 MONTHS

\$300.01 OR MORE

RESTRICTED FOR 6 MONTHS

Restricted Renewals - Example # 1

RENEWAL LOAN
MADE 02-02-09
NET BALANCE **\$140.00**

NEW LOAN
MADE 03-05-09
FACE AMOUNT **\$550.00**

\$550.00 Amount **LESS** Than \$600.00

3 -5
-2 -2

1 -3 Less Than 2 Months

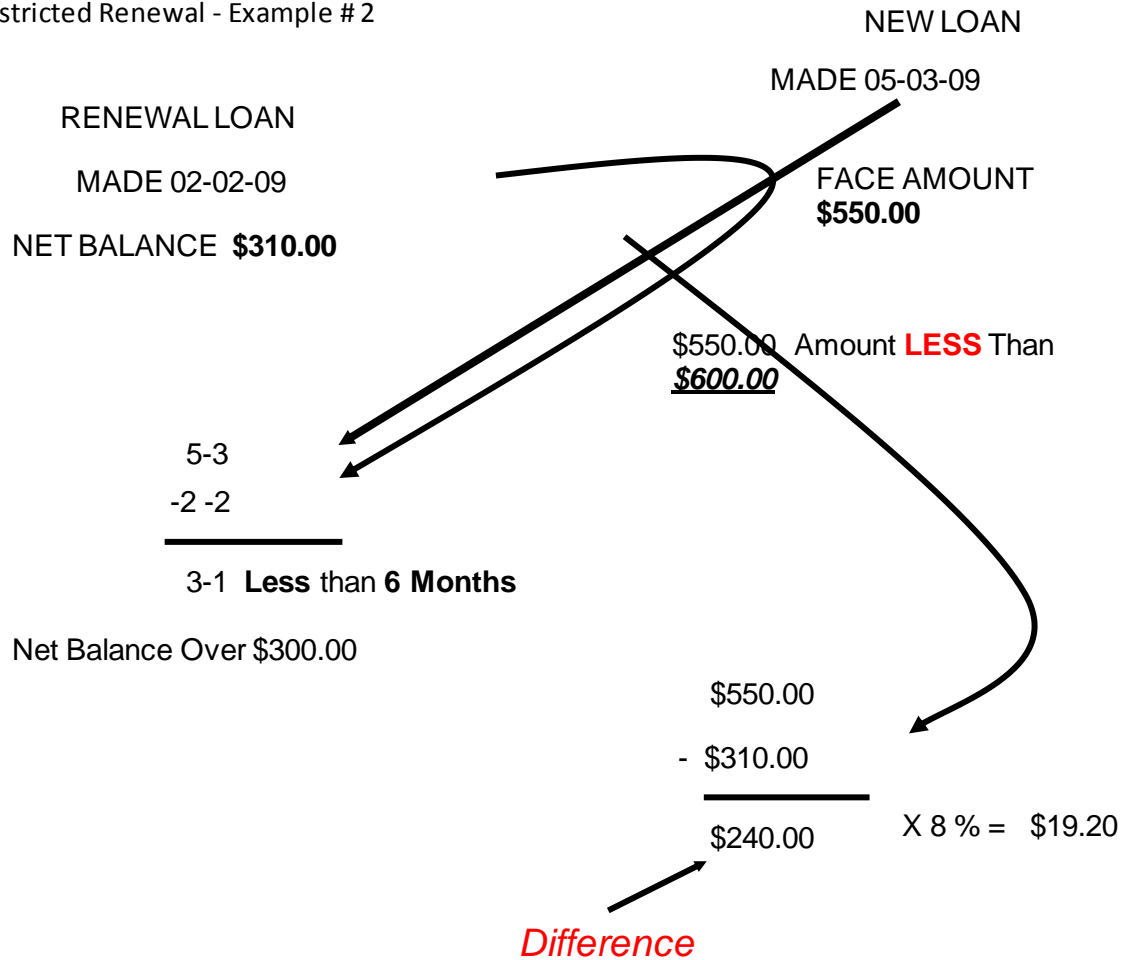
Charge **8%** On Difference between
Net Balance and Face Amount of New Loan

Difference →

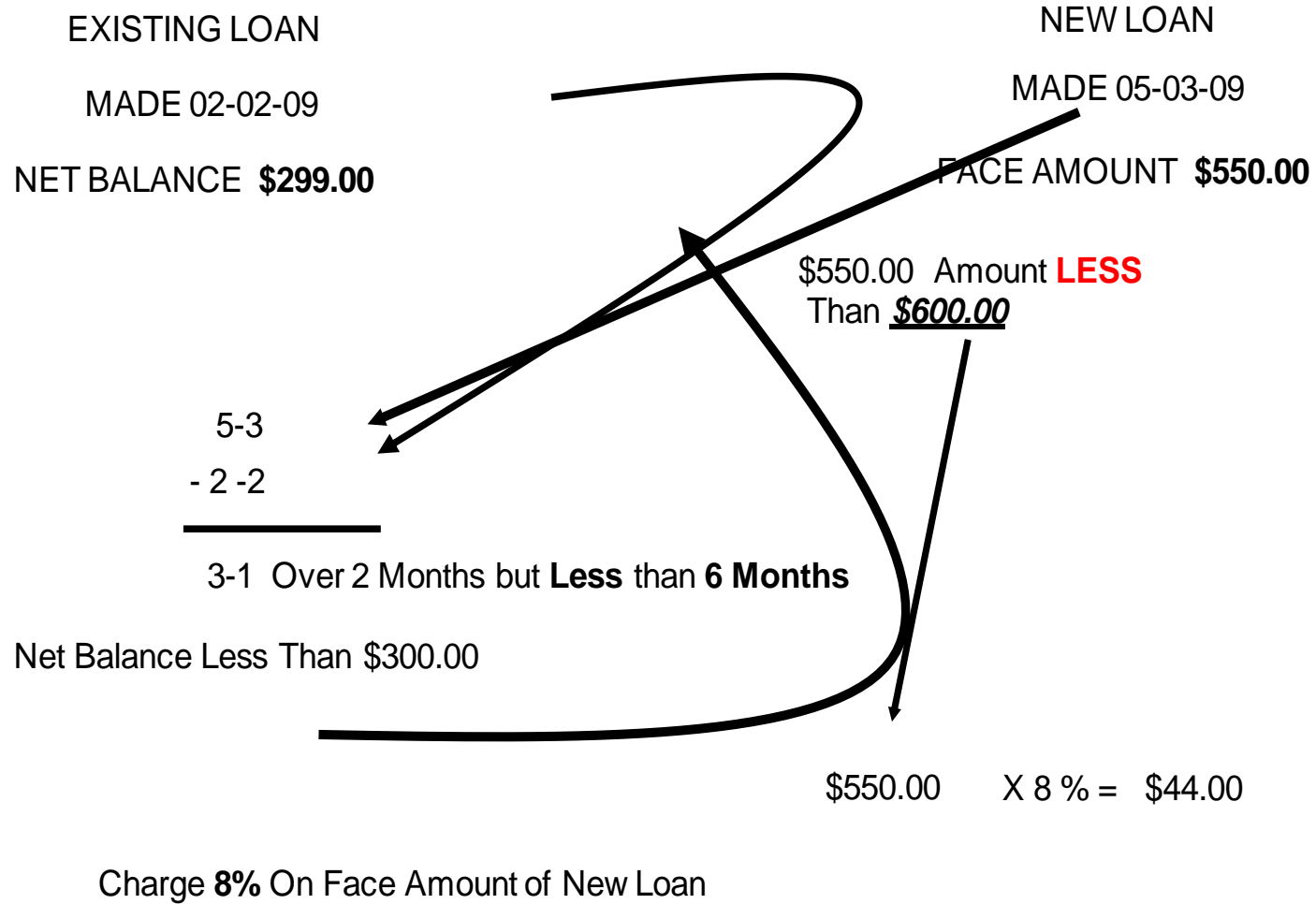
\$550.00
- \$140.00
<hr/>
\$410.00

X 8 % = \$32.80

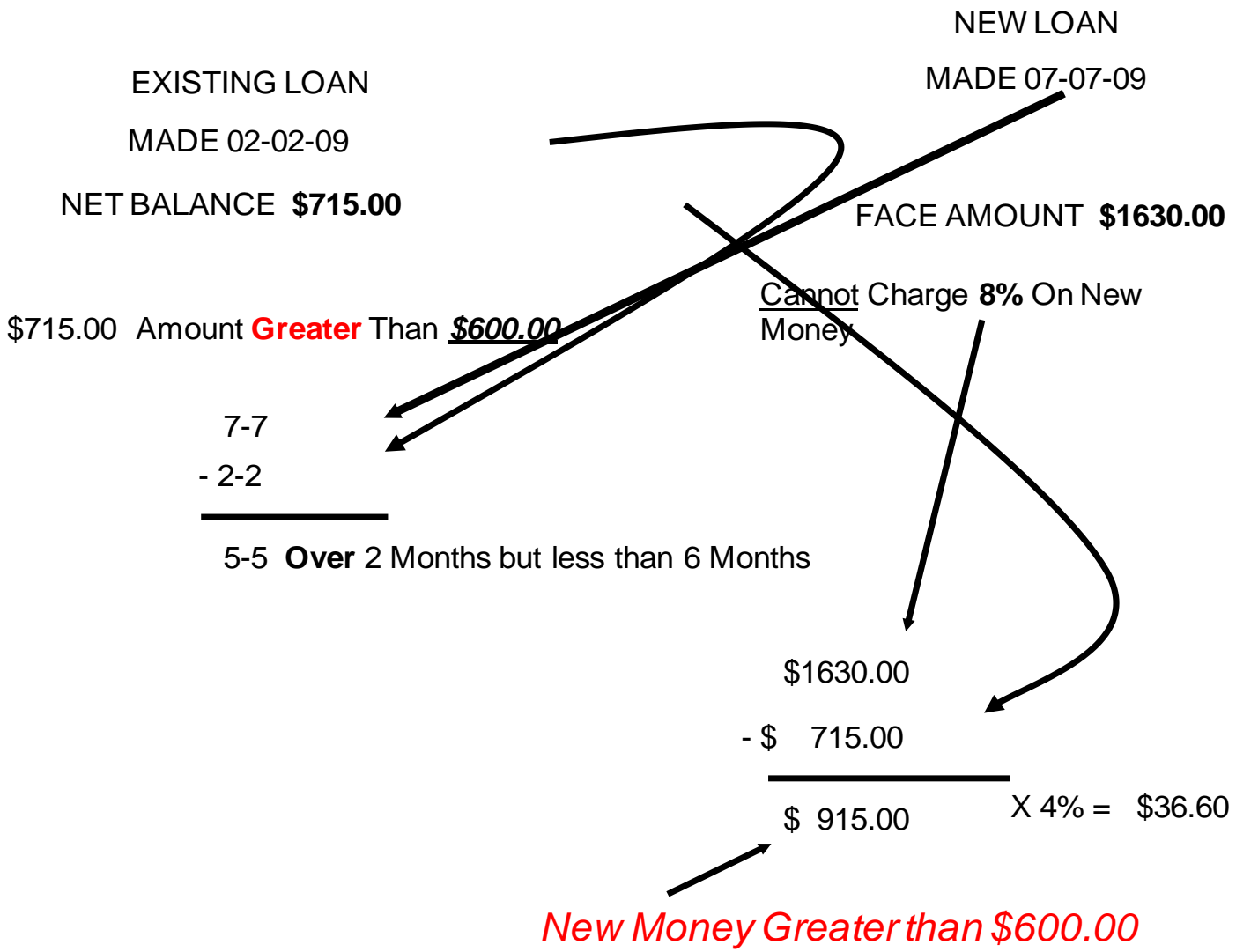
Restricted Renewal - Example # 2



Restricted Renewals - Example # 3



Restricted Renewals - Example # 4



Restricted Renewal- Example # 5

EXISTING LOAN

MADE 02-02-09

NET BALANCE **\$1350.00**

NEW LOAN

MADE 07-07-09

FACE AMOUNT **\$2860.00**

\$1350.00 Amount **Greater** Than **\$600.00**

Cannot Charge **Any 8% Fee**

4% Fee can be charged on the difference between the Face Amount of the New Loan and the Net Balance of the Renewal Loan

7-7

2-2

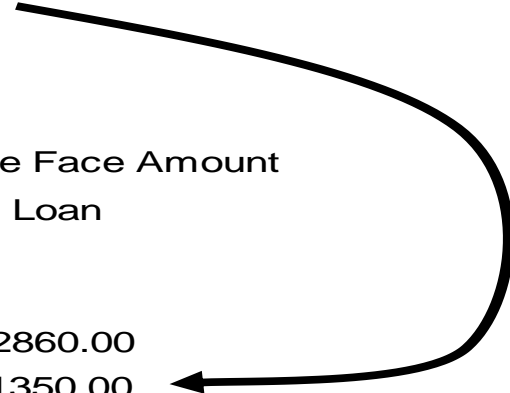
5-5

over 2 Months
but under 6 Months

\$2860.00

- \$1350.00

\$1510.00 X 4% = \$60.40



Restricted Renewals - Example # 6

This is a (2) Step Process

EXISTING LOAN

MADE 03-03-09

NET BALANCE **\$440.00**

NEW LOAN

MADE 08-08-09

FACE AMOUNT **\$980.00**

Step 1

\$600.00

-\$440.00

\$160.00

X 8 % = \$12.80

No **Fee** on Net Balance in
Restriction -**8%** on the
Difference from **\$600.00**

8-8

-3-3

5-5

Over 2 Months

under 6 Months

Step 2

\$980.00

- \$600.00

\$380.00 X 4% = \$15.20

Step 2 - **Subtract \$600.00** from the Face Amount of the
New Loan and Charge **4%** on the Difference

Restricted Renewals - Example # 7

This is a (2) Step Process

RENEWAL LOAN

MADE 03-03-09

NET BALANCE **\$560.00**

NEW LOAN

MADE 08-08-09

FACE AMOUNT **\$2120.00**

Step 1

\$600.00
 - \$560.00

 \$ 40.00

X 8% = \$3.20

8-8

-3-3

5-5

Over 2 Months
 under 6 Months

Step 2

\$2120.00
 - **\$ 600.00**

\$ 1520.00 X 4% = \$60.80

Step 2 - **Subtract \$600.00** from the Face Amount of the New Loan and Charge **4%** on the Difference

30-60-90 DAY SINGLE PAYMENT LOANS

THIRTY AND SIXTY DAY SINGLE PAYMENT LOANS MAY BE RENEWED BUT WILL FALL WITHIN THE RESTRICTION PERIOD AND FEES MAY NOT BE CHARGED ON THE NET BALANCE BEING RENEWED. NINETY DAY SINGLE PAYMENT LOANS MAY BE RENEWED, THE NET BALANCE OF THE ACCOUNT WILL GOVERN THE FEES CHARGABLE.

EXCEPTION

30-60-90 DAY SINGLE PAYMENT LOANS PAID OUT AT THE MATURITY DATE OR AFTER BUT DURING THE RESTRICTED PERIOD ARE NOT SUBJECT TO THE 15 DAY WAITING PERIOD. THE ACCOUNT MAY BE REFINANCED AND FULL FEES CHARGED.

SALES FINANCE CONVERSIONS 90 DAY RULE 7-3-16

Act, Section 16, Paragraph (a): No loan shall be made by any licensee for the purpose of paying all or any part of the amount owed on any note, bill of sale to secure debt, title retention contract, conditional sales contract or any other similar contract which has been purchased by or assigned or transferred to such licensee for a period of at least 90 days from the date of such purchase or transfer.

Sales Finance Conversions and Dates:

The 90 days are measured by counting as the first day the day after purchase or transfer.

Example:

Accounts Purchased	<u>1-01-09</u>
1st Day	1-02-09
90th Day	4-01-09
91st Day	4-02-09

WHERE BOTH LOANS OF A DUAL LOAN ARE RENEWED AND BOTH BALANCES ARE LESS THAN \$300.00, BUT COMBINED THE TOTAL IS OVER \$300.00, THE RESTRICTED RENEWAL PROVISIONS WILL APPLY.

HOWEVER, IF ONE OF THESE LOANS IS OVER 6 MONTHS OLD THEN NO LUMPING TOGETHER IS REQUIRED.

ON LOANS PAID OFF AND A NEW LOAN MADE ON THE SAME DAY, THE NEW LOAN IS TREATED AS BEING A RENEWAL OF THE PAID-OUT LOAN.

Two notes renewed into one with balances of each loan less 300.00 and both between two and six months old. One three months with a renewal balance of \$160.00 and the other four months old with a renewal balance of \$170.00. Face Amount of new note is \$500.00

New Note (Face Amount) \$500.00

Old Notes:

\$160.00

\$170.00

-\$330.00

Balance on which 8%

Fee Charged \$170.00

\$170.00 X 8% Fee Charged = \$13.60

120-1-12-.01 Computing the Refund Factor.

Each licensee shall in computing the refund factor, carry such factor to a minimum of five digits to the right of the decimal for maximum accuracy.

In Georgia all Months have 30 days for calculation purposes
One day in a new Month constitutes a Full Month for Refund purposes

Refund Method:

Rule of 78

The first step is to add up all the digits for the number of payments scheduled to be made. For a 12-installment loan, add the numbers 1 through 12:

$$1+2+3+4+5+6+7+8+9+10+11+12 = 78$$

The answer is "the sum of the digits" and explains how the rule was named. One might say the total interest is divided into 78 parts for payment over the term of the loan.

To add all the numbers in a series of payments is rather tedious.

One can arrive at the answer quickly by using this: $N/2 \times (N+1)$

N is the number of payments.

In a 12-month loan, it looks like this:

$$12/2 \times (12+1) = 6 \times 13 = 78$$

How Is This Applied to A Loan

A loan for Ann and Dan

Let us suppose that Ann and Dan Adams borrow \$3,000 from the Second Street Finance Company to redecorate their home.

Interest comes to \$225, and the total of \$3,225 is to be paid in 15 equal installments of \$215.

Using the Rule of 78's, we can determine how much of each installment represents interest. We add all the numbers from 1 through 15:

$$15+14+13+12+11+10+9+8+7+6+5+4+3+2+1= 120 \quad \text{or} \quad n/2 \times (n+1) \quad 15/2 \times (15+1) = 7.5 \times 16 = 120$$

The first payment will include 15 parts of the total interest, or 15/120's; the second, 14/120's; and so on interest of \$ 225/120 parts = \$1.875 per part.

15x1.875	=	\$28.12500	1st payment
14x1.875	=	\$26.25000	2nd payment
13x1.875	=	\$24.37500	3rd payment
12x1.875	=	\$22.50000	4th payment
11x1.875	=	\$20.62500	5th payment
10x1.875	=	\$18.75000	6th payment
9x1.875	=	\$16.87500	7th payment
8x1.875	=	\$15.00000	8th payment
7x1.875	=	\$13.12500	9th payment
6x1.875	=	\$11.25000	10th payment
5x1.875	=	\$9.37500	11th payment
4x1.875	=	\$7.50000	12th payment
3x1.875	=	\$5.62500	13th payment
2x1.875	=	\$3.75000	14th payment
1x1.875	=	\$1.87500	15th payment
TOTAL	=	\$225.00	

How To Compute The Refund?

Refer to the Refund Chart - Rule of 78

Now let's assume Ann and Dan want to pay off the loan with the fifth payment.

Original term of loan = 15

Number of months remaining = 10

1. Locate the original term of the loan in months in the vertical 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.

$$.45833 \times \$225 = \$103.12425 \quad \text{or}$$

Interest earned

15x1.875	=	\$28.12500
14x1.875	=	\$26.25000
13x1.875	=	\$24.37500
12x1.875	=	\$22.50000
11x1.875	=	\$20.62500
		\$121.87500

Interest unearned

10x1.875	=	\$18.75000
9x1.875	=	\$16.87500
8x1.875	=	\$15.00000
7x1.875	=	\$13.12500
6x1.875	=	\$11.25000
5x1.875	=	\$9.37500
4x1.875	=	\$7.50000
3x1.875	=	\$5.62500
2x1.875	=	\$3.75000
1x1.875	=	\$1.87500
		\$103.12500

55 parts remaining

$$55/120 = .45833$$

This is how you get the factor on the Rule of 78 Refund Chart

Another way to compute the Refund

Here is the formula for calculating the refund

$$\text{Interest} \times \text{RT} \times (\text{RT} + 1) / \text{OT} / (\text{OT} + 1) = \text{Refund}$$

Original Term = 15 months

Remaining Term = 10 months

$$\$225 \times 10 \times 11 / 15 / 16 = \$103.125$$

The refund amounts to \$ 103.125

120-1-11-.01 General Regulations, All Insurance.

(1) Evidence of insurance. All insurance authorized and included in or incident to a loan contract made under the provisions of the Georgia Industrial Loan Act shall be evidenced by a policy or certificate of insurance which shall be delivered to the borrower at the time the indebtedness is incurred. The policy and the certificate of insurance shall describe the amount and term of the coverage, the amount of the premium and a description of the coverage including any exceptions, limitations or restrictions. If a policy or certificate of insurance is not delivered to the borrower at the time the indebtedness is incurred, the insurer shall cause to be delivered to the borrower a policy or certificate of insurance within 30 days of incurred indebtedness. An application or notice of proposed insurance form shall serve as a binder during the first 30 days of incurred indebtedness.

A licensee may charge and collect from the borrower premiums paid or to be paid for insurance for the borrower.

The amount of life, health or accident insurance required as security for loans shall not exceed the amount of the loan including charges.

Such insurance shall be reasonably related to the type and value of the property insured and to the amount and term of the loan. Insurance shall be obtained from an insurance company authorized by the Insurance Commissioner to conduct business in Georgia.

The premiums are not an interest charge.

Refunds of all insurance premiums charged by the Rule of 78ths and must be given without regard to a minimum refund provision.

Summary, Total between property and auto insurance cannot exceed the face amount of the loan.

Disclosure Statement

120-1-11-.01(2)

If any loan within the Georgia Industrial Loan Act is made in conjunction with the sale of insurance authorized and included in or incidental to the advancement of funds at the expense of the borrower, then the licensee shall provide to the borrower a separate written disclosure statement. The disclosure statement shall disclose, in no smaller than twelve-point type, the following:

- (a) The cost to the borrower of any such insurance.
- (b) A copy of the signed document shall be provided to the borrower, and the licensee shall retain the original in the loan file.

All insurance sold in conjunction with loans shall be evidenced by a policy, application, certificate or written statement of insurance which shall be delivered to the borrower at the time the indebtedness is incurred or the insurance company shall deliver same to customer within 30 days from date indebtedness was incurred.

Claims

120-1-11-.01(3)(b)

No plan or arrangement shall be used whereby any person, firm or corporation other than the insurance company or its designated claim agent or representative shall be authorized to settle or negotiate the settlement of claims.

120-1-11-.01(3)(f)

Insurance proceeds paid on an industrial loan and credited to the account by the finance company shall have the same effect as if a like amount was paid by the borrower and no late charges shall be charged to any borrower for any such payments or accounts which have been paid by such insurance proceeds.

Loan office employees are agents not adjusters. Never make assumptions that the insurance company will or will not pay.

120-1-11-.01(5)

Any agent, subagent, agency or licensee writing credit life or credit accident and sickness insurance in this state shall provide forms necessary to file claims within fifteen (15) calendar days of a request with reasonable explanations regarding their use and shall forward such claim to the insurer within twenty (20) business days of receipt of written proof of loss.

All claims shall be paid either by draft or check of the insurance company.

Where proceeds from insurance prepay an account in full, a refund shall be made on the interest, fees and insurance premiums computed as of the date of the event (loss) insured against based on the Rule of 78's.

All insurance payments are backdated to the date of the loss. Date of loss is when the accident occurred or sickness began. Late fees cannot be assessed or collected during an approved loss period.

120-1-11-.02 Credit Life Insurance.

(1) Coverage.

- (a) Level term life insurance will pay the first beneficiary at the death of the insured the amount of the indebtedness, not exceeding the amount of insurance stated in the policy, and pay the second beneficiary the amount stipulated in excess of the indebtedness; or if there be no indebtedness, the full face amount of the policy shall be paid to the second beneficiary.
- (b) Reducing term life insurance will pay the first beneficiary the amount of indebtedness at the time of the death of the insured.

(2) Rates.

- (a) Credit level term life insurance or group credit level term life insurance MAY be written as security on all loans made under the provisions of the Industrial Loan Act. Insurance coverage shall not exceed the face amount of the contract. The premium shall not exceed \$.84 per annum per \$100.00 of the face amount of the loan unless otherwise authorized by law and applicable rules and regulations.
 - (b) Credit decreasing term life insurance MAY be written on all loans made under the provisions of the Act. Insurance coverage shall not exceed the face amount of the contract. The premium shall not exceed \$.45 per annum per \$100.00 of the face amount of the loan unless otherwise authorized by law and applicable rules and regulations. For premiums not based on initial insured indebtedness, the premium shall not exceed a monthly rate of \$.70 per \$1,000.00 of outstanding unpaid insured indebtedness.
- c) Single premiums for credit life insurance covering joint lives on either of the bases in subparagraphs (2)(a) or (2)(b) of this rule shall not exceed 150 percent of the appropriate single life rate specified in subparagraphs (2)(a) or (2)(b) of this rule.

(3) Policy status at renewal, refinancing or repayment of entire contract.

- (a) If through prepayment the indebtedness is discharged prior to the scheduled maturity date, the insured in all instances (except group credit reducing term life, which must be canceled) shall be given the option either to cancel or to retain such insurance. The option to cancel or to retain shall be set forth in writing either as a part of the policy or certificate or by separate written statement furnished to the debtor.
- (b) In the event of renewal or refinancing accounts where credit life insurance is written on the new loan, any unexpired credit life insurance which was written in connection with the previous loan or loans, shall be concurrently canceled and proper credit given the borrower by refunding to him the unearned portion of the premium on the former policy or policies.

In the event of a claim on the life of the insured, the premium is considered earned and no refund need be given.

Suicide Exclusion - If waiting period not reached by date of death by suicide, the premium must be refunded as of the date of loss. On joint life, the policy must be specific regarding termination or continuation of policy on life or survivor, and appropriate refund made in the event suicide does occur.

Principal Party Rule

Insurance is written on the life of the principal party; ie: the person repayment of the loan is expected from because;

1. They applied for the loan.
2. They possess assets, income or credit worthiness from which the expectation of repayment is reasonably drawn.

They are not an endorser or guarantor

- A. A spouse is not principal by only virtue of status without meeting the above criteria.
- B. The burden of proving the status of a person as a principal party for purposes of requiring insurance shall be the licensee.

(4) Refund of Premiums.

(a) All unearned premiums on credit life insurance shall be made according to the Rule of 78's without regard to a minimum refund provision.

(b) Refunds will be made in all instances of insurance cancellations due to prepayments, renewals, and refinancing with the exception of a loan prepaid in full by credit life insurance proceeds; in this event life insurance premiums shall be considered earned unless otherwise provided in the insurance contract.

120-1-11-.03 Credit Accident and Sickness Insurance.

(1) Coverage. Credit accident and sickness insurance MAY be written on all loans made under the provisions of the Georgia Industrial Loan Act. Provided, however, any such insurance written in connection with such a loan shall not provide for monthly benefits which exceed the amount of one monthly repayment installment loan.

(2) Rates.

(a) On loans where the actual amount of cash advanced is one hundred dollars (\$100.00) or less, no credit accident and sickness insurance shall be written which provides a waiting period in excess of three (3) days, coverage shall be retroactive and no premium shall be charged for such insurance in excess of \$3.06 per annum per five dollars (\$5.00) per month benefit unless otherwise authorized by law and applicable Rules and Regulations.

(b) On loans where the actual amount of cash advanced is in excess of one hundred dollars (\$100.00), no credit accident and sickness insurance shall be written which provides a waiting period in excess of seven days. Coverage shall be retroactive and no premium shall be charged for such insurance in excess of \$2.10 per annum for five dollars (\$5.00) per month benefit unless otherwise authorized by law and applicable Rules and Regulations. Provided, however, if the waiting period is three (3) days, no premium shall be charged for such insurance in excess of \$3.06 per annum for five dollars (\$5.00) per month benefit unless otherwise authorized by law and applicable **Rules and Regulations**.

3 Day Retroactive

5.1% of the Face Amount of the loan (not per annum) MUST be written on any loan with a cash advance of \$100.00 or less

7 Day Retroactive

3.5% of the Face Amount of the loan (not per annum)

Both types pay for ALL days customer is disabled but provide a minimum period of disability before benefits are due.

(4) Refund of Premiums.

(a) All unearned premiums on credit accident and sickness insurance shall be refunded according to the Rule of 78's without regard to a minimum refund provision.

(b) Refunds shall be made in all instances of insurance cancellations due to prepayments, renewals, and refinancing with the exception of the loan being prepaid in full by accident and sickness insurance proceeds; in this event accident and sickness premiums shall be considered earned unless otherwise provided in the insurance contract.

If the loan is paid out prior to the maturity date of the contract, the customer shall be given the option either to cancel the policy and receive a refund of unearned premiums or to retain said coverage through maturity date. This option shall be set forth in writing as part of the policy/certificate or by separate statement furnished to the debtor.

(5) Claim Forms. All insurance companies writing accident and sickness insurance in connection with loans made under the Georgia Industrial Loan Act shall use medical claim forms where in a doctor's signature is required in connection with making claims for losses occurring under accident and sickness policies.

(6) Claims relative to renewals and refinancing. Renewal or refinancing of a loan shall not operate to extinguish an insurance contract when as an incident to such renewal or refinancing another insurance contract is entered into by the same insurer and insured.

Any new insurance contract issued incident to such renewal or refinancing shall be a continuation of the original contract and any waiting periods or existing disease provisions shall relate to the date of the initial insurance contract.

(7) No credit accident and sickness policy shall be issued in this State to cover two lives jointly.

120-1-11-.04 Household Goods Fire Insurance.

(1) Coverage.

(a) Dual interest household goods insurance shall insure both the creditor and the debtor as their interest may appear against loss or damage caused by fire, lightning and collision;

(b) Single interest household goods insurance shall insure only the interest of the Creditor Loss Payee or assignees against loss or damage caused by fire, lightning and collision.

(2) Rates. The rates for both single interest and dual interest household goods insurance shall be approved by the Georgia Insurance Department and the Georgia Industrial Loan Department. Rates may differ between single and dual interest insurance and between protected and unprotected areas.

SINGLE INTEREST: 1% PER HUNDRED PER ANNUM OF THE FACE AMOUNT

DUAL INTEREST: 2% PER HUNDRED PER ANNUM OF THE FACE AMOUNT

UNPROTECTED COVERAGE: 3% PER HUNDRED PER ANNUM OF THE FACE AMOUNT

(3) No household goods insurance may be written where the maximum premium approved by the Georgia Insurance Department is less than one dollar (\$1.00).

(4) Refund of premiums. All unearned premiums on single or dual interest household goods insurance included on a loan contract on items pledged as collateral to secure a loan shall be refunded according to the Rule of 78's. Refunds shall be given on all insurance contracts canceled before the expiration date.

(5) Limitation, Coverage.

(a) On loans where household goods are the only collateral and the actual market value is equal to or exceeds the face amount of the note, the insurance written shall not exceed the face amount of the note.

(b) On loans where household goods are the only collateral and the actual market value is less than the face amount of the note, insurance, if written, shall be for the actual market value of the household goods.

(6) Loss Payee. No licensee shall require fire insurance to be written on any household goods pledged as security for a loan if the borrower produces evidence that such pledged property is insured for the term of the loan and endorses the insurance policy to the licensee as assignee or loss payee. A licensee, who requires insurance on collateral pledged to secure a loan and who writes such insurance, shall be liable to the borrower in case of loss covered by the policy in the full amount even though coverage is provided by other insurance. The licensee cannot deny liability, or any part thereof, on the grounds that said collateral is covered by other insurance.

AUTOMOBILE INSURANCE

Single Interest: Insures the creditor only against loss caused by fire, theft and collision

RATES The rates for single interest automobile must meet the rules and regulations of the Georgia Insurance Department

TYPES

Vehicle Single Interest
Limited Physical Damage
Collateral Protection Plan
Modified Single Interest

LIMITATIONS

No licensee shall require automobile insurance be written on an automobile pledged as security for a loan if the borrower produces evidence that the pledged property is insured for the term of the loan and endorses the insurance policy to the licensee as assignee or loss payee. If the licensee writes insurance on such loan, the licensee shall be liable to the borrower. The licensee cannot deny liability or any part thereof, on the grounds that said collateral is covered by other insurance. Actual market value of the automobile, whichever is smaller. If the vehicle is to old for the NADA book, then the retail value may be allowed of (\$500.00 for a car and \$1,000.00) for a truck) 1985 and older

Single interest insurance may be written in an amount not to exceed the Face Amount of the loan or the value of the vehicle, whichever is smaller.

No licensee shall write fire, theft and collision insurance with a deductible and then write a separate policy on the same automobile for the deductible.

DUAL COLLATERAL

When personal property and an automobile are both pledged as collateral and the actual cash value and the market value for both is an amount less than the Face Amount of the loan, the insurance written is limited to the actual market value of the security.

This applies whether single of dual interest automobile insurance is written.

A licensee shall not divide the amount of insurance written on collateral in such a manner as to penalize the borrower in the amount of insurance premium required to be paid.

REFUNDS Refunds on unearned premiums on single interest automobile shall be refunded by the rule of 78ths

NON-RECORDING INSURANCE

120-1-11-.06 Non-Recording Insurance.

(1) No licensee shall charge any recording fee, or actual premiums on insurance used in lieu of such recording fee unless the amount of such fee or premium be fully set forth in the copy of the loan contract or voucher furnished to the borrower.

(2) Non-recording insurance may be written on loans with a face amount in excess of \$100.00. Such insurance may be written in lieu of recording the security instrument with the proper "public official or agency of the State" and protects the lender against losses.

(3) Rates. The rates for such non-recording insurance shall be those which meet the applicable standards and requirements contained in Chapter 9 of Title 33 of the Official Code of Georgia Annotated and the applicable Rules and Regulations of the Georgia Insurance Department.

(4) Restrictions.

(a) If no security exists on a loan, charges for non-recording insurance are illegal.

(b) A licensee shall not select non-recording insurance instead of recording if the choice will cost the borrower more money.

(5) Commissions. A licensee shall not deduct a fee or commission from the borrower's payment of non-recording insurance premiums. Where commissions are returned to the lender, such shall be credited to the customer's account.

A licensee may choose to record one class of collateral and non-record the other but cannot do both (record and non-record same security). If a lien is filed on the initial loan on personal property, you are prohibited from charging property non-recording on subsequent renewals of that loan.

RATES

Personal Property	\$10.00	
Automobile	\$18.00	or as approved by the Georgia Department of insurance

RESTRICTIONS: If no security exists on a loan, charges for non-recording are illegal.

Applications

Licensee may charge \$10.00 property non-recording insurance on each and every loan that has personal property listed as collateral and a Face Amount in excess of \$100.00 if the collateral has changed.

Licensee may charge their approved auto non-recording insurance (\$13.00 or \$18.00) on the initial loan made to a borrower that has an automobile (above 1985 model) listed and a Face Amount in excess of \$100.00.

Licensee may charge both property and automobile non-recording insurance on the initial loan. If the contract has personal property and an automobile listed and a Face Amount in excess of \$100.00. Licensee may not charge automobile non-recording insurance on the subsequent renewals of the initial loan, but may charge fee on a former customer loan that is re-opened.

UNFAIR TRADE PRACTICES

120-1-14-.02 Purpose.

The purpose of this Regulation is:

- (a) To establish and maintain standards of conduct in the business of making industrial loans under the Georgia Industrial Loan Act by regulating trade practices in said business by defining, or providing for the determination of, such practices in this State which constitute unfair methods of competition and by prohibiting the acts or practices so defined or determined.
- (b) To provide standards of conduct which are just, fair, equitable and are not misleading or deceptive.
- (c) To encourage fair dealing and protection to consumers against unfair and deceptive practices.
- (d) To permit and encourage the development of fair and economically sound credit practices in the business of making loans under the Georgia Industrial Loan Act.

120-1-14-.03 Unfair or Deceptive Acts or Practices or Unfair Methods of Competition Prohibited.

No creditor shall be engaged in this State in any act or practice which is defined in this Regulation to be an unfair or deceptive act or practice or an unfair method of competition in the business of making industrial loans. Violation of any of the following sections of this Regulation are hereby defined as, and shall constitute, unfair or deceptive acts or practices or unfair methods of competition in the business of making loans under the Georgia Industrial Loan Act.

To provide equitable standards of that protect consumers against deceptive business practice. To encourage sound credit policies and regulate unfair methods of competition.

120-1-14-.08 Agreement; Contents.

- (1) Every consumer loan transaction shall be pursuant to a written agreement (which may include a loan voucher, itemized statement of loan and charges, and disclosure statement), which shall be signed by the consumer. A copy of the agreement shall be delivered to the consumer at the time it is executed by him. The agreement shall be contained in a single document which may contain more than one page. Printed terms shall be printed in at least six point standard type.
- (2) In connection with every consumer loan transaction, the consumer shall be furnished a written itemized statement in clear terms and easily understood language which shall show: the transaction date, a description of the subject matter and amount of the transaction, a description of the collateral, if any, securing the consumer's obligations; the identity and address of the consumer and the identity and address of the creditor; a schedule of the payments; the amount of the actual cash advanced to or on behalf of the consumer; the amount of each class of insurance carried and the premium paid thereon, stated separately for each class of insurance; and an itemization of the exact amount of the interest, fees and other charges, if any, showing each element thereof.

(3) The agreement shall include immediately above the place for the signature for the parties the following notice:

NOTICE TO CONSUMER

- (a) Do not sign this agreement if it contains any blank 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 insurance is required, you have the right to purchase either level term life insurance or reducing term life insurance coverage.
- (e) You are not required to purchase noncredit insurance as a condition of obtaining this loan.

(4) 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.

120-1-14-.18 Non-Judicial Enforcement Prohibited.

Notwithstanding any other provision of law, no term of an agreement shall constitute authorization for a creditor to take possession of collateral by other than legal process unless such authorization is clearly, prominently and conspicuously disclosed to the consumer immediately above the place for his signature on the loan agreement or as an addition to the "NOTICE TO CONSUMER" as defined in Section .08 (3) of this Regulation.

120-1-14-.19 Practice of Law in Debt Collections.

Unless a licensed attorney in this State, no debt collector shall engage in conduct deemed the practice of law. Without limiting the general application of the foregoing, the following conduct will be deemed a violation of this section:

- (a) the performance of legal services, furnishing of legal advice or of false representation, direct or by implication, that any person is an attorney;
- (b) the solicitation of assignments of claims for the purpose of suit or at the instigation of an attorney;
- (c) the institution of judicial proceedings on behalf of other persons except on an assigned claim;
- (d) any communication with debtors in the name of an attorney or upon stationery or other written matter bearing an attorney's name; (e) the use of any printed or other material which simulates or resembles a summons, warrant or other legal process; or
- (f) any demand for or payment of money constituting a share of compensation for services performed or to be performed by an attorney in collecting a claim.

120-1-14-.20 Threats or Coercion.

No debt collector shall collect or attempt to collect any money alleged to be due and owing by means of any threat (other than statements that the creditor intends to exercise his legal rights), coercion or attempt to coerce. Without limiting the general application of the foregoing, the following conduct will be deemed to violate this section:

- (a) the use, or express or implicit threat of use, of violence or other criminal means, to cause harm to the person, reputation or property of any person;
- (b) the false accusation or threat to accuse any person falsely of fraud or any crime, or any conduct which, if true, would tend to disgrace such other person, or degrade him to his neighbors or business associates, or in any way subject him to ridicule or contempt of society;
- (c) false accusations made to another person, including any credit reporting agency, that a consumer is willfully refusing to pay a just debt, or the threat to so make false accusations;
- (d) the threat to sell or assign to another the obligation of the consumer with an attending representation or implication that the result of such sale or assignment would be that the consumer would lose any defense to the claim or would be subjected to harsh, vindictive or abusive collection attempts.
- (e) the threat to take any action prohibited by any law, rule or regulation governing the collector's conduct.

120-1-14-.21 Harassment; Abuse.

No debt collector shall unreasonably oppress, harass, or abuse any person in connection with the collection of or attempt to collect any claim alleged to be due and owing by that person or another. Without limiting the general application of the foregoing, the following conduct will be deemed to violate this Section:

- (a) the use of profane or obscene language or language that is intended to unreasonably abuse the hearer or reader;
- (b) the placement of telephone calls without disclosure of the caller's identity or with the intent to annoy or harass or threaten any person at the called number;
- (c) causing expense to any person in the form of long distance telephone tolls, telegram fees or other charges incurred by a medium of communication, by concealment of the true purpose of the notice, letter, message or communication; or
- (d) attempting to make collections by personal visits or telephone calls between hours of 10:00 o'clock P.M. and 5:00 o'clock A.M.

120-1-14-.22 Unreasonable Publication.

No debt collector shall unreasonably publicize information relating to any alleged indebtedness or debtor. Without limiting the general application of the foregoing, the following conduct will be deemed to violate this Section:

(a) the disclosure, publication, or communication of information relating to a consumer's indebtedness to any relative or family member of the consumer, except through proper legal action or process;

(b) the disclosure, publication, or communication of any information not a matter of public record relating to a consumer's indebtedness to any other person:

1. by publishing or posting any list of consumers, commonly known as "deadbeat lists",
2. by advertising for sale any claim to enforce payment thereof,
3. by the use of loud announcements, loudspeakers, or otherwise, at the home, place of employment or other location of the alleged debtor,
4. or in any other manner other than through proper legal process or proceeding.

120-1-14-.23 Fraudulent, Deceptive or Misleading Representations.

No debt collector shall use any fraudulent, deceptive or misleading representation or means to collect or attempt to collect claims or to obtain information concerning a consumer or consumers. Without limiting the general application of the foregoing, the following conduct will be deemed to violate this Section:

(a) the use of any name, while engaged in debt collection, other than the debt collector's true name;

(b) the failure to clearly disclose in all communications made to collect or attempt to collect a claim or to obtain or attempt to obtain information about a consumer, that the debt collector is attempting to collect a claim and that any information obtained will be used for that purpose;

(c) any false representation that the debt collector has in his possession information or something of value for the consumer, that is made to solicit or discover information about the consumer;

(d) the failure to clearly disclose the name and full business address of the person to whom the claim has been assigned for collection, or to whom the claim is owed, at the time of making any demand for money;

(e) any false representation or implication of the character, extent or amount of a claim against a consumer, or of its status in any legal proceeding;

(f) any false representation or false implication that any debt collector is vouched for, bonded by, affiliated with or is an instrumentality, agent or official of this State or any agency of the Federal, State or local government;

(g) the use or distribution or sale of any written communication which stimulates or is falsely represented to be a document authorized, issued or approved by a court, an official, or any other legally constituted or authorized authority; or which creates a false impression about its source, authorization or approval;

(h) any representation that an existing obligation of the consumer may be increased by the addition of attorney's fees, investigation fees, service fees or any other fees or charges when, in fact, such fees or charges may not legally be added to the existing obligation; or

(i) any false representation or false impression about the status or true nature of or the services rendered by the debt collector or his business.

120-1-14-.24 Unfair or Unconscionable Means.

No debt collector shall use unfair or unconscionable means to collect or attempt to collect any claim. Without limiting the general application of the foregoing, the following conduct will be deemed to violate this Section:

- (a) the seeking or obtaining of any written statement or acknowledgment in any form that specifies that a consumer's obligation is one incurred for necessities of life where the original obligation was not, in fact, incurred for such necessities;
- (b) the seeking or obtaining of any written statement or acknowledgment in any form containing an affirmation of any obligation by a consumer who has been declared bankrupt, without clearly disclosing the nature and consequences of such affirmation and the fact that the consumer is *not legally obligated to make such affirmation*;
- (c) *the collection of or the attempt to collect any interest or other charge, fee, or expense incidental to the principal obligation unless such interest or incidental fee, charge or expense incidental to the principal obligation is expressly authorized by the agreement creating the obligation and legally chargeable to the consumer.*

120-1-9-.01 Specifications and Requirements.

In order to prevent the distribution of any false, misleading or deceptive statements or deceptive representations in regard to the rules, terms or conditions of any industrial loan subject to the provisions of the Georgia Industrial Loan Act, offered to the public, and to protect the public interest and welfare, **ALL** advertising matter to be used in any manner by licensees shall conform to the following specifications and requirements:

- (a) The words, "Advertisement" and "Advertising," as used in these regulations shall include all material printed, published, displayed or broadcast for the purpose of obtaining applications for loans.
- (b) No licensee shall advertise that loans will be made at any place other than that named in its license, and every such advertisement shall state or clearly indicate the identity of the licensee in such a manner as to prevent confusion with the name of any other unrelated licensee.
- (c) No licensee shall use blind loan advertisements, such as giving only telephone or newspaper box addresses, or that do not clearly indicate the identity of the licensee.
- (d) No licensee shall advertise that loans in general or particular classes or types of loans will be made within a certain limited time after the loan application is received unless the majority of such licensee's loans are actually made within such limited time.
- (e) No licensee shall advertise and offer to grant loans of any size unless said loans are actually granted to all applicants or unless the same advertisement also contains a statement subjecting said offer to restrictions and requirements of the licensee.
- (f) No licensee shall advertise special terms, reduced rates, reduced payments, or loans within a certain limited time or offer any other such customer advantages unless the advertisement clearly states the class, kind or type of loans to which such advantages apply. Any licensee advertising reduced cost, reduced payments, or any other similar customer inducement shall clearly describe the inducement in the same advertisement.
- (g) No licensee shall advertise by the use of unqualified superlatives, such as "lowest rates," "lowest cost," "lowest payment plans," "cheapest loans," or "no hidden charges," nor by making offers which cannot be generally fulfilled nor lowest insurance costs nor make any implication derogatory to competitors.
- (h) No licensee shall advertise the words "new" or "reduced" or words of similar import, in connection with rates, payments or plans or insurance for more than sixty days after the same shall have become effective.
- (i) Any licensee specifying in any advertising examples of loans offered shall show the amount and number of the payments on such loans and the actual amount of money the borrower receives. This information shall be shown clearly and in such a manner as not to be deceiving or misleading.

- (j) No licensee shall advertise rebates, rates, or changes below the maximum lawful rates which apply only in the event of prompt payments, unless such condition is clearly indicated.
- (k) No licensee shall advertise an offer to give, or give, any article of merchandise or anything of value, other than a reduction of charges, as an incentive to obtain a loan. When offering a reduction of charges, as an incentive to obtain a loan, the licensee shall clearly show in the advertising that such offer pertains only to the initial loan unless future loans will actually be made to the same borrower at the same reduced rate of charge.
- (l) No licensee shall use any advertising in the form of a simulated check or other negotiable instrument.
- (m) No licensee shall advertise that any sum of money is available to the recipient of such advertisement unless the terms and conditions under which said money may be acquired are clearly shown.
- (n) Every licensee shall maintain in the individual office or at a place agreed upon by the Industrial Loan Commissioner a scrap book or file of all newspaper, magazine, direct mailing and broadside advertising, and scripts of radio and television commercials for a period of one year. Such scrap book shall be readily available for inspection by the Commissioner or his representatives.
- (o) No licensee shall advertise the hiring of a manager formerly affiliated with another licensee whereby such manager is identified by picture or former affiliation or wherein such manager's former customers are suggested or encouraged to seek out the advertising licensee for future loans.

120-1-9-.02 Submission of Proposed Advertising Prior to Use.

Before any advertising matter shall be used in any manner by any licensee, it shall be first submitted to and approved by the Georgia Industrial Loan Commissioner or such member of his staff as he shall designate. If the licensee fails to hear from the Commissioner as to the approval or disapproval of such advertising within 45 days from the date it is submitted to the Commissioner for approval, it shall be deemed to be approved.

120-1-9-.03 False or Misleading Statements Prohibited, Advertising Must Show Medium to be Used.

Advertising material submitted for approval shall not contain any false, misleading, deceptive, ambiguous or unethical statements and shall show the advertising medium to be used. (Radio, television, printed matter, newspaper or other medium).

Books, Records and Procedures

I. Books & Records

7-3-12. Books, records, and reports.

(a) Each licensee shall keep and use in his business sufficient books and records to enable the Commissioner to determine whether or not the licensee is complying with this chapter or any other Act under which such licensee is operating, and such licensee shall preserve such record for at least four years after making the final entry thereon. The renewal or refinancing of a loan shall not constitute a final entry.

Books are to be maintained in the branch (unless otherwise authorized)

Written in English and pertain to G.I.L.A information only

Cash Book : A report that shows ALL cash disbursements and receipted in transactions.

Must be shown on exact date of transaction. You may close out books anytime of day as long as exact.

General Ledger : A report showing full detailing of assets and liabilities. Ledger should be posted monthly. A balance sheet shall be prepared within 30 days of the close of the month.

Files : Houses all records of indebtedness or security for example loan contracts; claim forms and car titles.

One file for each borrower

Index of Borrower : A list of open loans in the branch. This listing must be alphabetical order. This listing can be electronic or on a card system.

Loan vouchers

- (1) The licenses shall give the borrower a copy of every paper evidencing indebtedness, which he is called upon to sign.
- (2) The licenses shall return to the borrower the original note contract upon payment of the indebtedness.

Insurance Claims Register

120-1-11-.08 Insurance Claims Register.

Each licensee of the Georgia Industrial Loan Act shall maintain on a **daily basis** a **complete** insurance claims register. There shall be recorded on this register, with respect to any and all claims against insurance sold in connection with a loan made under the provisions of the Georgia Industrial Loan Act.

THE FOLLOWING INFORMATION **MUST** BE ENTERED ON THE REGISTER:

1. LOAN ACCOUNT NUMBER
2. BORROWER'S NAME
3. TYPE OF CLAIM FILED
4. DATE OF LOSS
5. AMOUNT OF THE CLAIM
6. DATE CLAIM WAS FILED
7. DATE CLAIM WAS PAID
8. AMOUNT CLAIM PAID
9. NAME AND ADDRESS OF ANY PERSON OR ENTITY TO WHOM PROCEEDS OF THE CLAIM WERE DISBURSED
10. DATE OF DEATH ON LIFE CLAIMS
11. NUMBER OF DAYS FILED FOR ON A DISABILITY CLAIM
12. NUMBER OF DAYS ACTUALLY PAID FOR ON A DISABILITY CLAIM

REGISTER WILL INCLUDE ALL DENIED CLAIMS AND ALL PAID CLAIMS

Organization

General Ledger : These reports are maintained at home office and must be retained for 4 years.

II. Forms and Reporting

Books, Records and Reports 7-3-12

Each licensee shall keep and use in his business **sufficient books and records** to enable the commissioner to determine whether or not the licensee is complying with this chapter or any other ACT.

Forms /Form of Filing

120-1-7-.01 Forms.

All licensees shall submit to the Commissioner, for approval, specimens of all account cards, daily cash journals, and note contracts proposed for use in Georgia offices. Any change in original forms shall be submitted to the Commissioner for approval before adoption or use. If the licensee fails to hear from the Commissioner as to the approval or disapproval of such forms within 45 days from the date it is submitted to the Commissioner for approval, it shall be deemed to be approved.

All forms are on the website. A licensee is allowed to use a different format however it must be approved by the Department in advanced.

Taxes

120-1-13-.01 Loan Tax, Reporting Method.

(1) A tax shall be paid monthly on all interest charged on loans made under the Act. A licensee may report such monthly loan tax on interest either on a "cash basis" or on an accrual basis. A licensee may elect to report such tax on either basis; however, once a licensee has made an election, such basis shall not be changed without the approval of the Commissioner.

Taxes are paid on the net interest collected from loans.

The tax rate is 3% and they are due on the 20th of the following month.

Example: (May taxes are due on June 20th)

Late penalty is 25% of the amount owed (\$5 min)

Fraudulent penalty is 50% of the amount owed (\$5 min).

III. Cash and Accrual Method

(2) A licensee shall report its monthly loan tax by use of one of the following methods:

(a) "Cash Method" is based on actual interest charged during the month as reported in the daily cash report. The charges of interest shall be increased by recoveries of interest on accounts previously written off and the interest may be reduced by interest on accounts to be presently written off and interest being refunded on accounts prepaid by cash, renewal and refinancing. The net interest is subject to the tax.

(b) "Accrual method" is based principally on collections during the month of accounts under the Act. An accurate percentage comparison of interest charged to gross loan is obtained by dividing the outstanding loans at the beginning of the month into unearned interest at the beginning of the month. The percent obtained is then multiplied by the collections for the month. The total obtained is subject to be taxed.

There are two forms used for reporting taxes:

Monthly Estimate - (GID – 012A-IL) – short half page forms that report estimated tax payments submitted to the Department.

Quarterly Loan Tax Report – (GID-0012-IL) – One page forms that report net premiums written; number of claims filed; net interest collected; net taxes due and estimated payments made during the quarter.

QUARTERLY INSURANCE REPORT, FORM GID-012-IL, MUST BE FILED AND RECEIVED BY THE DEPARTMENT ON OR BEFORE THE 20TH OF THE MONTH FOLLOWING THE QUARTERS ENDING MARCH 31, JUNE 30, SEPT 30, AND DECEMBER 31ST.

Both forms are used for the cash and accrual reporting method

Only a licensed insurance agent's name should appear in the insurance section of the quarterly loan tax report.

Manager's Qualification

120-1-4

To become a qualified manager a person must have one year of verifiable **work experience** under the ACT or attend an accredited training school (GILA school).

Other qualifications:

Must pass a **background check**

Must provide a **credit report**. A manager cannot be convicted of a felony

The licensee must submit a **GID-015-IL** (i.e., Loan managers appointment form) with the Department for all appointed managers. The IL-15 is used to appoint **certified or temporary** loan managers. The form must be submitted **at the time** a change in manager occurs. Preferred in an electronic format. The form can be found on the state's website.

Industrial Loan License Renewal

120-1-2-.10

Law requires annual fee, Due on the 20th of December for the following year. Annual fee is \$500.

The license is active for 1 year (Jan. 1 – Dec. 31). After December 31st, the license is deemed expired and reinstatement will be required. The office does not receive a new physical license, paying the fee continues the active status of the license currently displayed in the office.

Request to Relocate Licensee's Place of Business.

120-1-2-.09

Request for license relocations must be pre-approved and submitted in writing on commissioner approved forms.

The form can be found on the state's website.

Two types of relocations:

Same Business Community Relocation

Relocation to **Another Business Community** (a \$250 investigation fee is required to determine convenience and advantage).

Procedures

Loan license must be in plain view (conspicuous location)

All loans must be made at the address on the license.

A licensee has 120 days of **inactivity** before rights defer back to commissioner. Must be open during normal business hours.

120-1-2-.11 Annual Financial Report.

(4) The annual report shall be filed with this Department no later than April 15 of the following year. Any person who fails to comply with the requirements of this Section shall be subject to such penalties as may be appropriate under Chapter 3 of Title 7 of the Official Code of Georgia Annotated and the Rules and Regulations promulgated thereunder.

Violations of The Georgia Industrial Loan ACT

A 10 day letter is written by the commissioner or his deputy showing due cause and intent of commissioner's action.

License has rights to a hearing.

Penalties can range from (\$1,000-\$5,000) for each violation including errors revealed during audits.

License can be suspended or licensee can be placed on probation

Licensee can be subject to a revocation of its license.

Audit/Examination of Licensee

The ACT provides the authority for the commissioner, his deputy or their designees to examine a licensee or any person who holds himself out as making loans that fall under the ACT.

Procedures for Examination

Interview witnesses

A report of finding is filed and reviewed by a supervisor and with the licensee manager

Review books, accounts
Papers and records

Unlicensed lending will be investigated and may be prosecuted

Hold hearing (Commissioner may assess cost to examinee)

A supervisor schedules unannounced exams

The auditor examines taxes, contracts, advertising, collection letters, insurance agent license and other records as deemed necessary

IV. Department of Insurance Website

Go to www.gainsurance.org to obtain industry forms as well information on the or its agents.