

Best Practices – 2012 Additions

Transaction Limits – The cash advance for a single payment deferred presentment transaction may not exceed 35% of a consumer's gross monthly income. A scheduled payment on a multiple payment deferred presentment transaction may not exceed 25% of a consumer's gross monthly income. The cash advance on a motor vehicle title loan may not exceed 70% of the retail value of the motor vehicle.

Declining Principal Balance Transactions – Multiple payment deferred presentment transactions and motor vehicle title loans shall be payable on a fully-amortizing, declining principal balance basis with substantially equal payments as agreed upon by the parties. If fees are pre-computed and the loan is prepaid in full, unearned fees shall be refunded to the consumer.

Extended Payment Plan – An eligible consumer may elect to repay a single payment deferred presentment transaction with an extended payment plan.

A consumer is eligible for an extended payment plan from a CAB:

- At least once every twelve months;
- If the transaction has been refinanced four times;
- If the plan was requested before the due date of the transaction; and
- If a written agreement is signed that describes the terms of the plan.

Under an extended payment plan:

- The CAB may not charge the consumer additional fees;
- The consumer shall have at least four substantially equal payments to repay the amount owed;
- The consumer may prepay the amount owed without penalty at any time;
- The CAB may not obtain, or assist the consumer in obtaining, additional credit; and
- Collection activities are prohibited if the consumer continues to make timely payments under a plan.

Notice about Extended Payment Plan - A CAB must notify consumers of their right to an extended payment plan by posting a notice in a conspicuous location visible to the general public in every location. The notice shall also be included, in at least 12 point bold type, on the first page of every CAB contract.

Single Payment Motor Vehicle Title Loan Principal Reduction Requirements and Fee Limits – A consumer must make a payment that reduces the principal balance of a single payment motor vehicle title loan by at least 5% every time the loan is refinanced. If a consumer is unable to make the required payment, the loan may be refinanced, but the CAB must calculate its fee as if the required payment had been made every time the loan is refinanced. The amount of the loan that remains unpaid continues to be due and owing from the consumer, but can no longer accrue CAB fees. Alternatively, if the consumer is unable to make the required payment and the lender chooses not to refinance the loan, the loan shall be due and payable per its original terms.