

## PERFORMANCE NOTE: AGENCY FORM

# H.B. 47

**SHORT TITLE:** Deferred Deposit Loan Amendments

Joint Rule 4-2-404 requires a Performance Review Note anytime the legislature significantly increases funding for:  New agency  New services or benefits  Serving a new or larger population

**DUE TO THE FISCAL ANALYSIS:** Thursday, January 16, 2014

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### HOW WILL THE PUBLIC BENEFIT?

**1** What is the purpose and the duties of the new program, agency, services, or population served? JR4-2-404(4)(c)(i)

The "Deferred Deposit Database Program" creates a software database program to track everyone who obtains a deferred deposit loan from lenders who are registered with the Department of Financial Institutions. On a real-time basis, lenders will report to the database whenever a borrower obtains a deferred deposit loan and how much the loan was for. Before extending credit, lenders will be required to query the database to determine if the borrower is ineligible to obtain a deferred deposit loan. Anyone who has two deferred deposit loans outstanding, or who has outstanding loan balances equal to 25 percent or more of their net monthly income, or who has had 10 deferred deposit loans in the preceding 12 months, is ineligible to receive another loan.

**2** What services are provided by the funding increase? JR4-2-404(4)(c)(ii)

All funding increases will go directly to the database program provider for operating and maintaining the database. This will enable deferred deposit lender to perform queries to determine if a borrower is ineligible for a deferred deposit loan and to efficiently report information from the loans they extend so that others can query the database and obtain real-time access to accurate information.

**3** What are the expected outcomes of the new or expanded program and how will the public benefit? JR4-2-404(4)(c)(iii)

It's expected that by establishing a database where every deferred deposit loan extended, along with its dollar amount and pertinent borrower information, is accurately and efficiently reported, deferred deposit loans would be available to those who meet the restrictions imposed. Borrowers who have two loans outstanding at any time, or who have loan balances outstanding greater than 25 percent or more of their net income, or who have had 10 loans in the preceding 12 months, would be ineligible to receive another loan. With these restrictions, fewer borrowers would become over-extended on deferred deposit loans and less of their financial resources would go to repaying these debts.

**4** How will the bill be implemented and what resources are available to achieve the expected outcomes? JR4-2-404(4)(c)(iv)

The Department of Financial Institutions would be responsible for administering the database; making sure it's available to deferred deposit lenders on a real-time basis so they can query it to determine a borrower's ineligibility and to enable them to submit accurate information timely. The Department would be authorized to contract with a third party to establish and maintain the database, provided that they are able to operate it in compliance with statutory requirements. The Department, however, would remain responsible for investigating violations of and enforcing compliance with the database's purpose and requirements. Annual examinations of deferred deposit lender's locations would be expanded to ensure queries are properly made, accurate information is submitted, and loans are not extended to ineligible borrowers.

**5 How will the proposed agency activities cause the expected outcomes and public benefit in 3?**

The Department would oversee operations of the database. With the limited time allowed to establish the database, we would be looking to contract with a third party who has database experience. Once deferred deposit lenders were able to make queries and submit information, the Department would be able to access the database to determine that it's operating in accordance with the statute. In addition to procedures already completed during the annual examination of each physical location and each internet lender, specific procedures would be implemented to see that information is being properly submitted, accurately stored, and accessible upon query to the database. Added procedures would also be needed to determine that queries are accurately made and that credit is not extended when it's determined the borrower is ineligible. Separate examination procedures would be needed to examine the database provider's compliance with applicable laws and regulations.

**2. PERFORMANCE MEASURES:**

What measures will managers and policymakers use to know if the new or expanded program is providing the expected outcomes and public benefits? Provide one, two, and three year goals or targets, actual results and measures if available to serve as a baseline, and outcomes.

**Goal (public benefit):** Compliance with database query and submission requirements

**Measure Title:** Average Hours to Complete a Deffed Deposit Loan Examination

**Description:** Identify the average length, in hours, examiners take to complete an examination of each deferred deposit lender's physical location or internet site.

Fiscal Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target or Benchmark: (in hours)		9.20	10.33	10.55	10.80
Baseline: (in hours)	8.00				

**How will program managers collect this performance information and ensure its reliability?**

Total hous spent performing deferred deposit loan examinations (per calendar year) divided by the number of physical deferred deposit lending locations and the number of internet deferred deposit lenders registered with the Department (per fiscal year).

**Goal (public benefit):** Loan Roll-overs

**Measure Title:** Average Number of Days a Deferred Deposit Loan is Extended

**Description:** Identify the average number of days a deferred deposit loan was extended before it was paid in full.

Fiscal Year:	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Target or Benchmark: (in days)		30	28	26	25
Baseline: (in days)	33				

**How will program managers collect this performance information and ensure its reliability?**

From the operating statements filed by each deferred deposit lender with their annual registration, calculate the aggregate average number of days deferred deposit loans were extended before they were finally paid in full.