

## AGENCY PERFORMANCE NOTE FORM

**BILL:** H.B. 66, Deferred Deposit Lending Amendments, Rep. B. Daw

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 ANALYST:**

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### CONTACT INFORMATION

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### HOW WILL THE PUBLIC BENEFIT?

#### *1a* What are the public benefits or goals of the new or expanded program?

The "Deferred Deposit Lending Database Program" creates a software database program which will track everyone who obtains a deferred deposit loan from a lender who is registered with the Department of Financial Institutions. On a real-time basis, lenders will report to the database when a borrower obtains a loan and how much the loan was for. Before extending any credit, lenders will be required to query the database to determine if a borrower is ineligible to obtain a deferred deposit loan. Anyone who has \$500 or more outstanding in deferred deposit loans, is ineligible to receive any additional credit. The database will limit individuals from having more than \$500 in deferred deposit loans, thus restricting those who get into financial difficulties through the use of these types of loans from having more than \$500 outstanding. Those individuals who are ineligible for any additional deferred deposit loans will have to find some other source of credit if they need to borrow more money.

#### *1b* What products or services will the agency provide to achieve the public benefits?

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

#### *1c* How do the proposed agency activities cause the public benefit outcomes listed in *1a*.

The Department will oversee operations of the database. With the limited time allowed to establish the database, we will be looking to contract with someone who has database experience, who can develop and implement one quickly. Once deferred deposit lenders are able to begin making queries and submitting information, the Department will 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 examination of each physical location and each internet lender, procedures will be implemented to see that information is being properly submitted, accurately stored, and accessible when queries are made. Examination procedures will also be needed to determine that queries are made to determine the ineligibility of a borrower and that credit is declined when the borrower is identified as being ineligible. Separate examination procedures will need to be developed to examine the database provider for adherence to applicable laws and regulations.

## 2. PERFORMANCE MEASURES:

How will managers and policymakers know if the new or expanded program is contributing to the public benefit?

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

Measure Title: Average Hours to Complete a Deferred Deposit Loan Examination

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

Fiscal Year:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target or Benchmark: (in hours)		8.75	10.00	12.75	13.00
Baseline: (in hours)	7.44				

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

Total hours spent performing deferred deposit loan examinations (per calendar year) divided by the number of physical deferred deposit lending locations and the number of internete deferred deposit

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 defered deposit loan was extended before it was paid in full.

Fiscal Year:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target or Benchmark: (in days)		33	30	28	26
Baseline: (in days)	37				

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

From the opeptions statements filed with the annual registration, calculate the aggregate average number of days deferred deposit loans were extended before it was finally paid in full as reported by each deferred

Goal (public benefit):

Measure Title:

Description:

Fiscal Year:	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target or Benchmark:					
Baseline:					

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