

PPL/PUB

1. Rate of return:

a) Please provide your views on how the Board might calculate an appropriate rate of return for the industry.

Response:

We have no current issue on the rate of return at this time.

b) Please discuss your understanding of what would represent a fair rate of return for operating a Payday-loan enterprise?

Response:

We do not have a current issue on the rate of return for operating a Payday-Loan enterprise at this time.

c) Please discuss the risks faced by your business in entering into payday loans and provide what would be considered a fair risk premium to be considered for a return on equity.

Response:

We recognize there is a risk to all loans given by any Payday Loan lender. Entering into any loan there is a risk of non-repayment of the loan. Do to the fact that on an \$100.00 dollar loan we are loosing money at the current rate of return if we could have some fee, such as documentation or just risk of \$2.00 per hundred we believe it would benefit the industry, helping on non-recoverable loans.

d) Does your company have segmented financial statements, isolating the payday loans side of its operation? If so, please provide, either generally or in confidence; if not, please indicate the percentage of revenue earned from pay-day loans.

Response:

The percentage or revenue earned from pay-day loans once segmented from the rest of PPL operation is 60.67%.

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2. Operations

a) Does your company operate a payday loan business outside of Winnipeg, and if so are there extra costs to operate outside of Winnipeg? Please quantify and explain.

Response:

Yes, we do operate payday loan businesses outside of Winnipeg.

No, we have no evidence that there are extra costs to operate outside of Winnipeg.

b) Please indicate what percentage of your payday loans business is representative of repeat business from the same customer vs. one time transactions.

Response:

We believe 99% of our business annually is repeat business from the same customer vs. one time only loaners.

c) Please describe the criteria used and loan qualification process followed in determining whether an individual qualifies for a Payday-Loan.

Response:

All potential Payday loaners are required to produce 2 government issued pieces of identification (1 photo). All loaners must be at their current job for no less than three months. Also required are a pre-authorized debit forms filled out and signed by their bank, current bank statement on that account showing a minimum of 2 months of transactions, 2 most recent pay stubs as seen on banking information. Their pay cheques must be direct deposited and if requesting more than a hundred dollar loan 2 non-voided cheques must also be available.

d) Please provide a copy of loan applications, brochures term sheet and other material provided to the customer in entering a payday loan transaction.

Response:

attached

e) Please indicate the number of payday loans transacted in Manitoba by a year for the last five years, including the average loan size and number of transactions.

Response:

We do not currently possess the figures for all of Manitoba.

Do to the fact that The PPL locations have only been operating for close to three years we can only give you three year stats. The number of payday loans transacted in Manitoba yearly is according to our business is approximately 2,656.66 , the average loan size is \$300.00 and the number of transactions per loan is 10.

f) If you have not already done so, please provide your bad debt expense experience as a ratio of total operating expenses, segmented for the payday loans side of your business for the last five years.

Response:

Once again we can only provide figures for three years. The estimated bad debt expense to operating expense is 8.07%.

g) Aside from the bad debt itself, what costs should be considered in the determination of bad debt expense?

Response:

Aside from the bad debt itself we believe the only other expenses incurred by our businesses are banking charges and recovery costs (ie) court costs and telephone expenses.

h) Please outline the steps taken by your organization to ensure that bad debt expense is minimized.

Response:

Steps taken with all new and repeat payday loaners.

Bank statements are thoroughly scrutinized-

- check to see if person withdraws all their monies as soon as deposited
- check to see if person is repaying any other payday loans businesses
- check to see if there are bank loans coming out of the account that might make repayment Of a payday loan questionable.
- ensure that deposits are consistent with when payrolls are.
- ensure payroll amounts are reasonably consistent and there is no missing payroll.
- check to see if the payroll is being deposited into a checking or savings account.

When determining loan amount ensure that the loan amount is within the provincial limit of 30% of net pay.

Require bank transactions print out to ensure payroll deposit has been made and employer is still the same

Check bank account to ensure the account is the same as previously.

Require pay stub to make sure this is a regular pay period not a final pay.

Adjust loan amount if payroll amount has decreased.

Watch for irregularities , such as off for the summer, to make sure we are not lending to someone who has no ability to repay.

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#### **4. Corporate/Affiliated relationships**

a) Please provide a list of affiliate companies and a description of the nature of their operations and indicate the type and nature of any intercompany transactions.

Response:

Affiliated companies to PPL are as follows:

Parkland Title Loans

The Pas Title Loans

Swan River Title Loans

Swan River Payday Loans

All inclusive the operations of the above companies are as follows:

Payday Loans

Purchase and sales of new and used furniture and appliances

Purchase of scrap gold

Purchase and sale of used jewellery

Pawn services

Title Loans

Cheque cashing

Inter company transactions are as follows, the movement of products for sales, (ie) if a customer in The Pas wishes to purchase a 4 drawer dresser and there are none in that location we will move one from another location for them to purchase. Also we will accept payment of a payday loan for a client from an affiliated store in order to keep that loan from going into overdue status.

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4.

a) Under what specific circumstances is PPL certifying cheques? Is the cost of certifying currently included in the \$17.00/\$100.00 fee?

Response:

PPL certifies cheques when a client requests cheque to bank because they are unable to come in and repay their loan in person. PPL will also certify a cheque as the first step in recovering a bad debt.

No the certification fee is not included in the 17% per \$100.00. As per allowed in section 15.5 we add on the fees for certification to the cheque to a maximum of \$20.00.

b) What percentage of payday loans result in a dishonoured payment monthly? Annually?

Response:

Approximately 2% of payday loans result in bad or dishonoured payments monthly and about 5% annually.

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5.

a) In respect of extension loans, please explain and quantify the "paperwork, staff time, and extra bank charges" applicable to the extension. Compare this amount to the paperwork, staff time and extra bank charges" applicable to the initial loans.

Response:

With annual expenses of \$50,913.76 and doing approximately 2656.66 loans annually that comes to \$19.17 in expense to write a loan. At \$17.00/\$100.00 we show no profit till a \$200.00 dollar loan is given. With an extension loan at \$5.00/\$100.00 a \$400.00 loan has to be given to realize any profit. We do not see any different amount of paperwork, staff time and extra bank charges, they would be the same, \$19.17 to write an extension loan.

b) Please provide the rationale for our company's position on extension loans and what the proper rate would be.

Response:

Our company feel that it is not cost effective to offer extension loans due to the fact that only 5% is the allowable rate per \$100.00, it is our view that for our industry costs could exceed that rate of return deeming extension loans not a viable product available at our outlets. We feel if extension loans were allowed at the current rate of 17% to the maximum amount of 30% that we would then offer that service to our clients.

c) It has been suggested that a consumer may go to another lender to get the loans to repay the first lender. Please provide our views on this practice and what might be done to deal with it.

Response:

We do not believe that this scenario is happening in our area. Do to this being something we have no knowledge of we have no opinion on a solution.

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a) What percentage of extension loans enquiries over the last 12 months were for the purpose of topping up the loan amount to within the 30% maximum, after the fact?

Response:

100%

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a) What percentage of extension loan enquiries over the last 12 months were for the purpose of extending the existing loan to avoid default?

Response:

none

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8.

a) Are any loan extension requests made for any reason not identified in 10 and 11 above?

Response:

no

b) Please explain in detail the steps PPL must take to transact a pre-authorized debit payment from a borrower.

Response:

When a pre-authorized debt is requested by a client, they are to produce a completely filled out and signed pre-authorized debit form from their banking institution. The banking information is confirmed with the information we have on file. We then enter the information on our CAFT system (customer authorized funds transfer).

c) With respect to the restriction on one pre-authorized debit per loan, how does allowing two debits resolve the issue of funds not being in the account late in the transaction day?

Response:

We have found that when debiting accounts in banking institutions that take them out late in the day that doing a pre-authorized debit the day before as well ensures the money is held till the transaction day till the pre-authorization is enacted.

d) Are you seeking a change to allow PPL to debit the borrower's account the day before the transaction day, as one of two debit attempts?

Response:

Yes, with our clients authorization.

e) What, if any, charges are being incurred by PPL and levied against the borrower, for the pre-authorized debit?

Response:

None

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9.

a) What is the source of capital used to fund lending by PPL?

Response:

Return loans and profits from PPL.

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10.

a) Beyond the current statutory working requirements in Manitoba, does PPL make credit counselling information available to its customer? If so, under what circumstance? What specific information is provided (please produce a copy)?

Response:

No PPL does not make credit counselling information available to our clients, we were not aware that it was required.

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11.

a) Referencing The Report on Mystery shopping filed by CAC, does PPL have any privacy policies or guidelines in place to comply with privacy law?

Response:

Yes , attached

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12.

a) Should the rural/ urban distinction be considered in the review of policies or laws and regulations with regard to payday loans in Manitoba? If so, please provide details of specific distinctions between rural and urban area it affects the industry and PPL and specific matters to be considered.

Response:

No, we see no need to make a distinction between rural and urban at this time.

# Parkland Payday Loans

# Loan Application Form

## CASH ADVANCE CENTERS

Loan Requested: \_\_\_\_\_ Home # \_\_\_\_\_ Cell # \_\_\_\_\_  
Applicant's Last Name: \_\_\_\_\_ First: \_\_\_\_\_ Middle: \_\_\_\_\_  
Date of Birth: \_\_\_\_\_  
Spouse's Last Name: \_\_\_\_\_ First: \_\_\_\_\_ Middle: \_\_\_\_\_  
Number of Children: \_\_\_\_\_

Own or Rent (Circle One) Payment: \$ \_\_\_\_\_ /mth Landlord/Mortgage Holder: \_\_\_\_\_  
Current Address: \_\_\_\_\_ City: \_\_\_\_\_ Province: \_\_\_\_\_  
Postal Code: \_\_\_\_\_ How Long Live There: \_\_\_\_\_ Landlord Phone: (\_\_\_\_) \_\_\_\_\_

Current Employer: \_\_\_\_\_ Department: \_\_\_\_\_ Phone: (\_\_\_\_) \_\_\_\_\_  
Income Per Month: \_\_\_\_\_ Date of Next Pay: \_\_\_\_\_ Pay On: \_\_\_\_\_  
Any Wage Garnishments: \_\_\_\_\_  
Employee Address: \_\_\_\_\_  
City: \_\_\_\_\_ Province: \_\_\_\_\_ Postal Code: \_\_\_\_\_  
How Long at Employment: \_\_\_\_\_ Direct Deposit: \_\_\_\_\_ Supervisor: \_\_\_\_\_  
Previous Employer: \_\_\_\_\_ Phone: (\_\_\_\_) \_\_\_\_\_  
Spouse's Current Employer: \_\_\_\_\_ Phone: (\_\_\_\_) \_\_\_\_\_

Bank: \_\_\_\_\_ Address: \_\_\_\_\_  
Chequing Account: \_\_\_\_\_ Savings Account: \_\_\_\_\_  
Visa/MasterCard/Amex #: \_\_\_\_\_ Expiry Date: \_\_\_\_\_  
Any Other Bank Loans: \_\_\_\_\_ No \_\_\_\_\_ Yes

Vehicle: Make: \_\_\_\_\_ Year: \_\_\_\_\_ Model: \_\_\_\_\_ Colour: \_\_\_\_\_  
Vehicle Identification Number: \_\_\_\_\_  
Is this vehicle currently licensed? \_\_\_\_\_ No \_\_\_\_\_ Yes  
If yes, to who? \_\_\_\_\_

Three Family References:  
Reference #1): \_\_\_\_\_ Phone:(\_\_\_\_) \_\_\_\_\_ Relationship: \_\_\_\_\_  
Reference #2): \_\_\_\_\_ Phone:(\_\_\_\_) \_\_\_\_\_ Relationship: \_\_\_\_\_  
Reference #3): \_\_\_\_\_ Phone:(\_\_\_\_) \_\_\_\_\_ Relationship: \_\_\_\_\_

Have you ever or are you currently in bankruptcy? \_\_\_\_\_ No \_\_\_\_\_ Yes Date of Discharge: \_\_\_\_\_

I promise to pay Parkland Payday Loans any and all costs of the Parkland Payday Loans, including legal fees on a solicitor/client basis, which are incurred in collecting upon the amounts owing by me to Parkland Payday Loans. I hereby give permission to Parkland Payday Loans to provide whatever information may be necessary to other financial institutions.

"Your signature on this form provides us with consent to contact such parties as your financial institution, employer, references, spouse/common-law partner, and landlord, and authorizes us to release any information, financial, personal or otherwise, as required for the purpose of assessing or verifying your loan eligibility and the information you have provided to us. Your signature on this form grants any such organization we contact permission to provide all information we request to us with respect to our inquiry. We will continue to collect, use, and disclose your personal information until such time as your loan has been repaid."

This Loan Applications is dated the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

Applicant: \_\_\_\_\_ Co-Applicant: \_\_\_\_\_