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THE COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS AND LOAN AGENCIES

(S E A L)

MICHAEL S. DUKAKIS

Governor

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ANNUAL REPORT
OF THE
COMMISSIONER OF BANKS
FOR THE

YEAR ENDING DECEMBER 31, 1984

RELATING TO
LICENSEES ENGAGED IN THE BUSINESS
OF MAKING REGULATED SMALL LOANS

THE COMMONWEALTH OF MASSACHUSETTS

(S E A L)

DIVISION OF BANKS AND LOAN AGENCIES

Leverett Saltonstall Building, Government Center
100 Cambridge Street, Boston

Commissioner of Banks

PAUL E. BULMAN

First Deputy Commissioner of Banks

JOSEPH A. LEONARD, JR.

Deputy Commissioner of Banks and General Counsel

ANDREW J. CALAMARE

Deputy Commissioner of Consumer Credit Division

ROBERT S. LEADBETTER

Supervisor of Loan Agencies

ALFRED P. QUIRK

THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF THE COMMISSIONER OF BANKS

Leverett Saltonstall Building, Government Center
100 Cambridge Street, Boston

March 1, 1986

TO THE HONORABLE SENATE AND
HOUSE OF REPRESENTATIVES OF
THE COMMONWEALTH OF
MASSACHUSETTS:

I have the honor of submitting to you herewith the Annual Report of the Commissioner of Banks relating to Licensed Small Loan Lenders, pursuant to the provisions of General Laws, Chapter 140, Section 98.

The financial statements and miscellaneous data incorporated herein pertaining to Licensed Small Loan Lenders are for the year ended December 31, 1984.

Respectfully,

PAUL E. BULMAN
Commissioner of Banks

General Laws, Chapter 140, Section 98, requires that "The Commissioner shall make an annual report and shall forward therewith a copy of such returns or so much thereof as he may deem necessary".

The figures contained herein were compiled, as usual, by the process of adding together the individual reports filed by each licensee. These reports are executed on a form and in a manner prescribed by the Commissioner. The department vouches for the process of addition, the process by which the additions were arrived at following their filing -- as the industry guarantees their accuracy and reliability as they were inserted in the individual reports. In some cases, as always, the reports were adjusted when not executed in accordance with instructions. In all such cases the licensee was notified and acknowledged the changes.

As of December 31, 1984, there were one hundred and twenty-four small loan licenses outstanding.

During the calendar year, 1984, 58,824 regulated loans of \$6,000.00 or less amounting to \$113,472,129.25 which is less unearned discounts, were made. These figures represent an increase of 1,022 in the number of loans made and an increase of \$9,899,037.69 in the net amount of loans made during the previous twelve months period.

The average net loan made for the period was \$1,929.01 compared to \$1,791.86 for the calendar year 1983.

On December 31, 1984, there were 75,889 regulated loans of \$6,000.00 or less outstanding with a face value of \$118,322,078.88 which includes unearned discounts amounting to \$35,000,296.70. These figures represent a decrease of 2,971 in the number and an increase of \$6,021,200.71 in the amount of net loans outstanding since the beginning of the calendar year.

The discrepancy between the number and amount of net loan balances outstanding at the beginning of the period as shown in Exhibit C of this report and the number and amount of net loan balances outstanding at the end of the period as shown in Exhibit C of the previous report is due to sales of assets or non-renewal of licenses of 1 licensee. Annual reports for this company was used in the compilation of the previous report but report was not filed for the calendar year, 1984.

It is the opinion of this department that the net loan balances outstanding at the beginning of the period must be considered to truly reflect the total activity of the loan industry in the Commonwealth for the calendar year, 1984.

The average net loan outstanding on December 31, 1984 was \$1,559.12 as compared with \$1,424.05 on December 31, 1983.

Total regulated loans of \$6,000 or less charged off for the period amounted to \$2,270,325.53.

Operating income for the period totaled \$27,872,102.63 of which \$641,004.69 represents recoveries on loans previously charged off and \$313,262.07 represents other income. Operating expenses aggregating \$12,399,839.44 include \$3,768,138.09 of home office expenses; charge-offs on bad debts amounting to \$588,960.55 and an addition of \$1,095,696.42 to the valuation reserve for bad debts combine to make a total expense of \$14,084,496.41 which deducted from operating income, leaves a balance of \$13,787,606.22 representing income before deduction of interest paid on borrowed funds and federal income taxes. A net profit of \$1,394,260.48 remains after deducting interest paid on borrowed funds amounting to \$10,994,630.72 and federal income taxes amounting to \$1,398,715.02.

As of December 31, 1984, the book assets amounted to \$117,689,362.43. The cash on hand and in banks amounted to \$705,335.88 which includes \$19,000.00 in compensating balances. Home office assets allocated to Massachusetts licensees consist of cash of \$825,176.99 and other assets of \$2,935,755.77 making a total of \$3,760,932.76. Compensating balances included in the allocation amount to \$42,606.86 which when totaled will produce compensating balances of \$61,606.86. Total assets as shown in Exhibit A less compensating balances produce assets of \$121,388,688.33.

This department does not consider compensating balances to be assets. They are used here as a deduction of the liability.

The figures included in the following schedules are compiled from annual reports to the Commissioner of Banks as represented by all licensed lenders.

All common asset and expense accounts are allocated on a formula established by this department.

The maximum interest charge permitted on loans of \$6,000 or less for licensed lenders is 23 percent per annum on the unpaid balances of the amount financed according to the actuarial method plus an administrative fee of \$20 upon the granting of a loan.

An administrative fee is not permitted to be assessed to a borrower more than once during any twelve month period.

The rule of 78ths refunding method may be used on terms of 54 months or less and the actuarial method must be used for terms in excess of 54 months.

Such maximum interest charge shall not exceed 6% per annum after the termination of one year after maturity.

The maximum interest charge permitted on loans of \$6,000 or less for unlicensed lenders is one percent per month on the unpaid principal balance which must include all fees and expenses of every name, nature and description.

However, the maximum interest charge permitted on loans of more than \$1,500.00, secured wholly or partially by a mortgage on real estate, other than a first mortgage, having an assessed value of not over forty thousand dollars and having thereon a dwelling house with accommodations for six or less separate households and occupied in whole or in part at the time of the loan is made as a home by the obligor on the mortgage debt or by any person granting or releasing any interest under said mortgage, is an amount equivalent to one and one half percent per month computed on the unpaid balance including all fees and expenses of every name, nature and description except actual recording and reasonable attorney's fees.

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THE COMMONWEALTH OF MASSACHUSETTS
ANNUAL REPORT TO THE COMMISSIONER OF BANKS
FOR THE YEAR ENDED DECEMBER 31, 1984
(General Laws, Chapter 140, Section 98)

<u>Reporting Agencies</u>	<u>Licensed Agencies</u>
124	124

EXHIBIT A

COMPOSITE STATEMENT OF ASSETS
AS OF DECEMBER 31, 1984
(Loan Business of \$6,000 or Less)

ASSETS

Loan Receivables:	
(a) Gross Receivables.....	\$153,322,375.58
(b) Less: Unearned Discounts.....	(35,000,296.70)
(c) Total Net Loans Receivable.....	<u>118,322,078.88</u>
(d) Less: Reserve for Bad Debts.....	(4,039,908.12)
(e) Adjusted Net Receivables.....	<u>\$114,282,170.76</u>
Cash on Hand and In Banks.....	705,335.88
Real Estate (Less Allowance for Depreciation - Buildings.....	96,679.64
Furniture, Fixtures and Equipment (Less Allowance for Depreciation).....	613,058.49
Deferred Charges or Prepaid Expenses.....	175,288.94
Other Assets:	
(a) Organization and Development Expense \$	250.00
(b) Cost of Financing.....	18,450.00
(c) Investments.....	405,898.30
(d) Miscellaneous Notes and Accounts Receivable.....	393,823.00
(e) Miscellaneous.....	<u>998,407.42</u>
	<u>1,816,828.72</u>
Total Massachusetts Office Assets.....	<u>\$117,689,362.43</u>
Home Office Assets Allocated to Massachusetts Licensees.....	<u>3,760,932.76</u>
Total Assets.....	<u>\$121,450,295.19</u>
Compensating Balances Included in Cash.....	\$ 208,888.00
Compensating Balances Included in Home Office Assets Allocated to Massachusetts Licensees.....	<u>42,606.66</u>
Total Compensating Balances Included in Assets.....	<u>\$ 251,494.86</u>

EXHIBIT B

COMPOSITE STATEMENT OF INCOME AND EXPENSES

FOR THE PERIOD FROM
JANUARY 1, 1982 TO DECEMBER 31, 1984

(Loan Business of \$6,000 or Less)

<u>INCOME</u>	
Charges Collected and/or Earned.....	\$25,087,622.25
Administrative Fees.....	890,391.42
Delinquency Charges Collected.....	939,822.20
Collection on Accounts Previously Charged Off.....	641,004.69
Other Income:	
(a) Gain on Sales of Assets..... \$	--
(b) Income from Investments.....	--
(c) Miscellaneous.....	<u>313,262.07</u>
	\$ 313,262.07
Total Operating Income.....	<u>\$27,872,102.63</u>
<u>EXPENSES</u>	
Advertising.....	\$ 444,607.19
Auditing.....	42,826.02
Bad Debts:	
(a) Charge-Offs..... \$	588,960.55
(b) Additions to Reserve for Bad Debts.....	<u>1,095,696.42</u>
	1,684,656.97
Depreciation of Furniture, Fixtures and Equipment.....	179,962.31
Recording and Acknowledging Fees.....	(20,886.39)
Insurance and Fidelity Bonds.....	56,466.16
Legal Fees and Disbursements.....	308,217.67
Postage and Express.....	221,394.03
Printing, Stationery and Supplies.....	181,724.89
Rent.....	665,048.15
Salaries.....	4,291,820.86
Supervision and Administration (when not allocated to other items).	201,808.67
Taxes (Excluding Federal Taxes on Income)	
(a) State Income..... \$	341,928.67
(b) License Fees.....	36,250.00
(c) All Other Taxes.....	<u>96,468.68</u>
	474,647.35
Telephone and Telegraph.....	470,362.58
Travel.....	137,098.45
Other Expenses.....	\$ 976,603.41
Total Massachusetts Office Expenses.....	\$10,316,358.32
Total Home Office Expenses.....	3,768,138.09
Interest Paid On Borrowed Funds.....	10,994,630.72
Total Expenses Before Federal Income Taxes.....	<u>\$25,079,127.13</u>
Income Before Federal Income Taxes.....	<u>\$ 2,792,975.50</u>
Federal Income Taxes.....	<u>\$ 1,398,715.02</u>
Total Expenses.....	<u>\$26,477,842.15</u>
Net Income (Loss).....	<u>\$ 1,394,260.48</u>

EXHIBIT C

ANALYSIS OF LOANS BY SIZE
(Loan Business of \$6,000 or Less)

	<u>Number</u>	<u>Amount</u>
Loans Outstanding (Less Unearned Discounts) at Beginning of Period.....	78,897	\$ 112,532,571.79
Loans Made During Period.....	58,824	\$ 113,472,129.25
Loan Balances Purchased During Period...	<u>2,805</u>	<u>3,837,274.26</u>
Total.....	<u>140,526</u>	<u>\$ 229,841,975.30</u>
Loan Balances Charged Off During Period.	2,628	2,270,325.53
Loan Balances Sold During Period.....	7,188	10,578,443.78
Loans Outstanding (Less Unearned Discounts) at the End of the Period...	<u>75,889</u>	<u>\$ 118,322,078.88</u>
Total.....	<u>87,705</u>	<u>\$ 131,170,848.19</u>
Collections of Principle During Period..		
(First Total Less Second Total).....		<u>\$ 98,671,127.11</u>
Size Distribution of Regulated Loans Made During Period		
(a) Loans of \$ 100.00 or less.....	14	\$ 1,323.00
(b) Loans of \$ 100.01 to \$ 200.00..	93	15,342.26
(c) Loans of \$ 200.01 to \$ 300.00..	318	80,650.31
(d) Loans of \$ 300.01 to \$ 400.00..	583	197,516.76
(e) Loans of \$ 400.01 to \$ 500.00..	651	291,790.67
(f) Loans of \$ 500.01 to \$ 600.00..	3,382	1,804,754.46
(g) Loans of \$ 600.01 to \$ 1,000.00..	6,708	5,250,300.73
(h) Loans of \$ 1,000.01 to \$ 1,500.00..	12,466	14,702,290.33
(i) Loans of \$ 1,500.01 to \$ 3,000.00..	24,599	52,262,560.99
(j) Loans of \$ 3,000.01 to \$ 6,000.00..	<u>10,010</u>	<u>38,865,599.74</u>
(k) Total.....	<u>58,824</u>	<u>\$ 113,472,129.25</u>

EXHIBIT D

DISTRIBUTION OF REGULATED LOANS MADE BY TYPE OF SECURITY
FOR THE YEAR ENDED DECEMBER 31, 1983
(Loan Business of \$6,000 or Less)

	<u>Number</u>	<u>Amount</u>
Loans Made During Period Based in Whole or in Part on:		
(a) Household Goods.....	17,586	\$ 38,220,650.09
(b) Automobiles.....	5,121	13,291,459.72
(c) Real Estate.....	135	442,116.00
(d) Other Chattels.....	556	1,243,138.72
(e) Unsecured Notes.....	31,863	53,326,071.81
(f) Endorsed and/or Co-Maker Notes....	2,415	4,081,842.25
(g) Wage Assignments.....	2	3,361.00
(h) Other Consideration.....	<u>1,146</u>	<u>\$ 2,863,489.66</u>
(i) Total.....	<u>58,824</u>	<u>\$113,472,129.25</u>

EXHIBIT E

ANALYSIS OF LOANS MADE FOR LAST EIGHT YEARS

(Loan Business of \$6,000 or Less)

<u>Year</u>	<u>Number</u>	<u>Amount</u>
1977	116,745	\$145,926,487.57
1978	117,362	\$148,110,512.11
1979	107,835	\$135,453,323.88
1980	64,737	\$ 87,572,131.70
1981	48,904	\$ 72,847,831.56
1982	51,914	\$ 86,100,255.46
1983	57,802	\$103,573,091.56
1984	58,824	\$113,472,129.25

EXHIBIT F

LEGAL ACTION

(Loan Business of \$6,000 or Less)

NOTE: A borrower's account may appear under any one or all classifications below

	<u>Number of Accounts</u>	<u>Amount Due</u>
Suits for recovery:		
(a) Pending at Close of Previous Period...	3,202	\$3,996,255.94
(b) Instituted During Period.....	1,049	1,356,067.29
(c) Total.....	<u>4,251</u>	<u>\$5,352,323.23</u>
(d) Judgment Secured During Period.....	743	956,803.60
(e) Settled Before Judgment During Period.	625	582,082.26
(f) Total.....	<u>1,368</u>	<u>\$1,538,883.86</u>
(g) Total Pending at Close of Current Period (Total (c) less Total (f)).....	<u>2,883</u>	<u>\$3,813,437.37</u>
Wage Assignments at Close of Current Period..	<u>54</u>	<u>\$ 96,431.56</u>

Possession of Chattels Obtained by Licensees

(a) By Legal Process or Contract Right:		
(1) Household Goods.....	--	\$ --
(2) Automobiles.....	26	\$ 65,894.18
(3) Other Chattels and Property.....	4	\$ 5,257.11
(b) By Voluntary Surrender:		
(1) Household Goods.....	5	\$ 5,313.00
(2) Automobiles.....	13	\$ 53,837.00
(3) Other Chattels and Property.....	2	\$ 7,477.00

Sales of Chattels by Licensees:

(a) With Borrower's Consent		
(1) Number.....	20	
(2) Amount Due.....		\$ 48,052.00
(3) Amount Collected.....		\$ 35,230.00
(b) Without Borrower's		
(1) Number.....	14	
(2) Amount Due.....		\$ 38,141.65
(3) Amount Collected.....		\$ 15,850.00

EXHIBIT G

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 1984

(Total Loan and Finance Business)

ASSETS

Loan Receivables:		
(a) Gross Receivables.....		\$354,543,005.18
(b) Less: Unearned Discounts.....		(42,245,900.05)
(c) Total Net Loans Receivable.....		<u>312,297,105.13</u>
(d) Less: Reserve for Bad Debts.....		(7,420,228.33)
(e) Adjusted Net Receivables.....		<u>\$304,876,876.80</u>
Cash on Hand and In Banks.....		3,346,665.49
Real Estate (Less Allowance for Depreciation - Building).....		205,891.00
Furniture, Fixtures and Equipment (Less Allowance for Depreciation)....		1,296,605.33
Deferred Charges or Prepaid Expenses...		637,671.69
Other Assets:		
(a) Organization or Development Expenses	250.00	
(b) Cost of Financing.....	36,900.00	
(c) Investments.....	\$ 4,231,831.12	
(d) Miscellaneous Notes and Accounts Receivables.....	1,802,271.52	
(e) Miscellaneous.....	<u>2,447,453.01</u>	\$ 8,518,705.65
Total Massachusetts Office Assets.....		<u>\$318,882,415.96</u>
Home Office Assets Allocated to Massachusetts Licensees.....		<u>\$ 6,891,056.58</u>
Total Assets.....		<u>\$325,773,472.54</u>

LIABILITIES AND SHAREHOLDERS EQUITY

Accounts and Notes Payable:		
(a) Banks.....	\$ 859,100.20	
(b) Due to Parent Company or Affiliate	191,973,446.11	
(c) Other Short Term Notes and Account	<u>4,517,699.10</u>	\$197,350,245.41
Bonds:		
Long Term Notes.....		639,980.00
Investment Certificates.....		2,727,034.00
Other Liabilities:		
(a) Accrued Expenses.....	\$ 1,188,514.19	
(b) Other Expense Reserves.....	<u>4,741,017.04</u>	<u>5,929,531.23</u>
Net Worth (If Individual or Partnership)		
Capital Stock (If Corporation)		
(a) Preferred.....	\$ 1,449,587.00	
(b) Common.....	<u>1,686,230.26</u>	3,135,817.26
Paid in Surplus.....		24,847,540.73
Appropriate Surplus or Capital Reserves		404,617.00
Retained Earnings.....		1,549,722.96
Branch Office Capital.....		<u>82,297,927.37</u>
Total Liabilities and Shareholders Equity.....		<u>\$318,882,415.96</u>
Compensating Balances Included in Cash.....	\$ 50,000.00	
Compensating Balances Included in Home Office Assets Allocated to Massachusetts Licensee.....	\$ 76,690.48	
Total Compensating Balances Included in Assets.....	\$ 126,690.48	

EXHIBIT H

CONSOLIDATED STATEMENT OF INCOME AND EXPENSES

FOR THE PERIOD FROM
JANUARY 1, 1982 TO DECEMBER 31, 1984

(Total Loans and Finance Business)

<u>INCOME</u>	
Charges Collected and/or Earned.....	\$57,930,111.58
Administrative Fees.....	890,391.42
Delinquency Charges Collected.....	1,103,419.81
Collection on Accounts Previously Charged Off.....	1,007,260.10
Other Income:	
(a) Gain on Sales of Assets.....	\$ 127,143.00
(b) Income from Investments.....	14,572.52
(c) Miscellaneous.....	<u>1,842,782.29</u>
Total Operating Income.....	<u>\$62,915,680.72</u>
<u>EXPENSES</u>	
Advertising.....	\$ 836,115.53
Auditing.....	90,683.55
Bad Debts:	
(a) Charge Offs.....	\$ 780,403.55
(b) Additions to Reserve for Bad Debts.....	<u>2,354,365.39</u>
Depreciation of Furniture, Fixtures and Equipment.....	337,822.24
Recording and Acknowledging Fees.....	(34,607.69)
Insurance and Fidelity Bonds.....	87,265.72
Legal Fees and Disbursements.....	627,768.99
Postage and Express.....	418,924.86
Printing, Stationery and Supplies.....	347,588.79
Rent.....	1,340,880.03
Salaries.....	7,993,824.34
Supervision and Administration (when not allocated to other items).	852,113.29
Taxes (Excluding Federal Taxes on Income)	
(a) State Income.....	\$ 796,914.69
(b) License Fees.....	59,350.00
(c) All Other Taxes.....	<u>206,921.34</u>
Telephone and Telegraph.....	889,480.49
Travel.....	234,408.43
Other Expenses.....	<u>\$ 2,111,170.05</u>
Total Massachusetts Office Expenses.....	\$20,331,393.59
Total Home Office Expenses.....	6,965,992.45
Interest Paid on Borrowed Funds.....	<u>28,330,503.66</u>
Total Expenses Before Federal Income Taxes.....	<u>\$55,627,889.70</u>
Income Before Federal Income Taxes.....	<u>\$ 7,287,791.02</u>
Federal Income Taxes.....	<u>\$ 3,527,773.05</u>
Total Expenses.....	<u>\$59,155,662.75</u>
Net Income (Loss).....	<u>\$ 3,760,017.97</u>