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BILL HASLAM
GOVERNOR

GREG GONZALES
COMMISSIONER

March 31, 2014

The Honorable Bill Haslam
Governor
State of Tennessee

The Honorable Members of the 108th General Assembly
State of Tennessee
Legislative Plaza
Nashville, TN 37243

Re: Report on the Title Pledge Industry

Dear Governor Haslam and Members of the General Assembly:

Beginning November 1, 2005, pursuant to Chapter 440 of the Public Acts of 2005, the Department of Financial Institutions was charged with the enforcement of the Tennessee Title Pledge Act (the "Act"). The Act provides, at Tenn. Code Ann. § 45-15-109(c), that each title pledge lender shall file a report with the Commissioner of the Department, commencing on October 1, 2007, and every odd-numbered year thereafter, containing specific information, and that the Commissioner shall submit to the Governor and General Assembly a biennial analysis and recapitulation of the reports for the preceding calendar year for the purpose of reflecting the general results of operations under the Act. The enclosed Report will serve to fulfill the Department's reporting obligations under the Act.

Respectfully submitted,

Greg Gonzales

Greg Gonzales

Tennessee Department of Financial Institutions

2014 Report on the Title Pledge Industry

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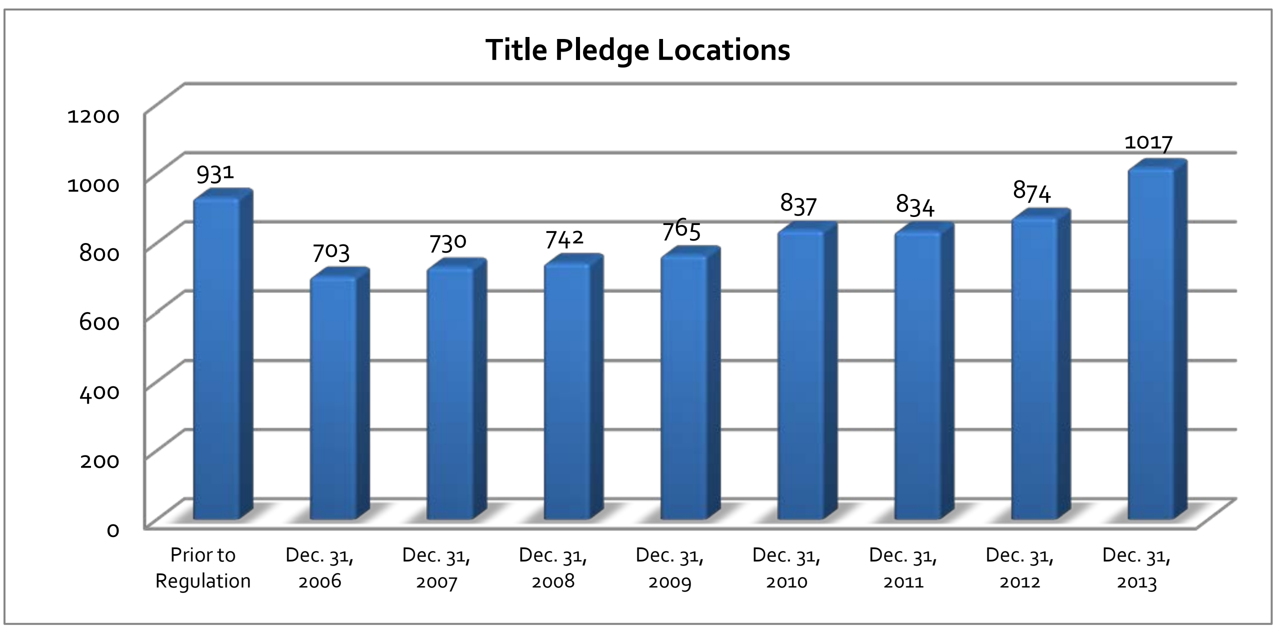
REGULATORY OVERVIEW

The activities of Title Pledge Lenders are governed by the Tennessee Title Pledge Act ("Act"), codified at Tennessee Code Annotated ("T.C.A.") Title 45, Chapter 15. This report is provided pursuant to T.C.A. § 45-15-109(c)(5), requiring a biennial analysis and recapitulation of the reports of calendar year 2012, for the purpose of reflecting the general results of operations of the industry. The compilation and analysis of information in this report was gathered from licensees in submission of their annual renewal applications. As part of the submission, licensees were required to attest, under oath, to the truthfulness and accuracy of the information. As a further measure to ensure the accuracy of information submitted, the Department selected a sampling of licensees for on-site audits of reports provided.

The Department's regulatory oversight includes reviewing all applications to ensure that licensing requirements are met, conducting periodic on-site examinations for compliance with the Act, issuing corrective enforcement actions, and investigating consumer complaints. In addition to the regulation of the Title Pledge industry, the Department's Compliance Division is responsible for the licensing and regulatory supervision of other non-depository financial institutions and individuals operating in Tennessee including: Check Cashing Companies, Deferred Presentment Services Companies, Industrial Loan and Thrift Companies, Insurance Premium Finance Companies, Residential Mortgage Lenders, Brokers, Servicers, and Mortgage Loan Originators.

LICENSING

Each application must meet the licensing eligibility requirements of T.C.A. § 45-15-106. Applicants shall demonstrate financial responsibility, financial condition, business experience, character, and general fitness to reasonably warrant the belief that the business will be conducted lawfully and fairly.



State law allows the Department up to 90 days to act on a complete application. As set forth in Department Rule 0180-33-.01, a nonrefundable filing fee of $700 per location is required at the time of filing. The applicant must also provide a surety bond or irrevocable letter of credit in the amount of $25,000 per location, with the aggregate amount not to exceed $200,000 for any single title pledge lender. A complete application must be notarized and include a listing of the owners, along with their resumes and credit reports.

An applicant is required to submit a set of financial statements, including a balance sheet and income statement, prepared by a certified public accountant or public accounting firm not affiliated with the applicant and in accordance with generally accepted accounting principles. The applicant must meet and maintain a tangible net worth of at least $75,000 per location. Additional supporting documents may be requested to substantiate the value of assets reported. Licenses are non-transferable and must be renewed annually.

EXAMINATIONS, CORRECTIVE ACTIONS, AND REFUNDS

The regulatory oversight of licensees includes on-site compliance examinations conducted pursuant to T.C.A. § 45-15-108. Cited violations represent instances in which the licensee did not comply with statutory requirements. On-site examinations have proven an effective tool in the detection and prevention of violations of the Act. Examiners also review lenders' compliance with the U.S. Department of Defense Rule 32 CFR Part 232 ("DOD Rule") that went into effect October 1, 2007. The DOD Rule covers members of the armed forces and their dependents. Confirmation of military status is included as a question on the loan application. One of the main provisions of the DOD Rule caps the interest rate on loans whereby the Military Annual Percentage Rate is limited to 36% inclusive of interest, fees, and other charges. It appears from examinations that the industry is substantially in compliance with the DOD Rule.

Examiners document and present the examination findings to the licensee in a written report. The Department requests each lender to respond to the examination in writing, detailing the actions taken to correct all violations. Most violations are resolved through the examination process. However, unresolved issues, systemic problems, significant refunds, unlicensed activity, repeat violations or apparent criminal activity are referred to the Chief Administrator of Examinations for appropriate follow-up action.

Although it appears from the examinations that lenders are not charging more than the statutory limit of 22% per month, refunds were made due to other violations of the Act. In 2012, the Department conducted 813 examinations, resulting in consumer refunds of $63,823.13, as compared to 715 examinations in 2013, resulting in refunds of $90,755.51. In calendar years 2012 and 2013 the Department initiated six enforcement actions against Title Pledge Lenders resulting in civil money penalties totaling $23,193.49. The more prevalent examination findings are noted below.

1) Inadequate Books and Records

   - Title pledge agreements and records are to be consecutively numbered and documented as required by the Act. All books and records must be preserved and made available to the Commissioner for a period of twenty-five (25) months on rejected applications and twenty-four (24) months on loans paid in full.

2) Missing Renewal Statements/Disclosures

   - Title pledge agreements are structured as thirty (30) day written agreements, but may be renewed for an additional thirty (30) days for up to twenty-two (22) renewal periods. The consumer is limited to twenty-two (22) renewals, because the statute requires the borrower to make a 5% reduction in the principal amount borrowed beginning with the third renewal period and each successive renewal period, until the loan principal is paid off. This principal payment is required along with the applicable interest and fees due the lender; however, with each principal reduction payment, the interest and fees charged are reduced with each subsequent renewal period. Lenders shall either hand deliver at the time of renewal or mail the renewal statement to the borrower at least five (5) days prior to the beginning of each renewal period. These statements are to be filed with the original title pledge agreement. Otherwise, consumer refunds will result if this documentation is missing.

3) Consolidation of a title pledge agreement with proceeds of another title pledge agreement

- Open title pledge agreements cannot be renewed or consolidated with the proceeds of another title pledge agreement made by the same title pledge lender.

4) Unauthorized Charges

- A title pledge lender may contract for and receive an effective interest rate not to exceed 2%, plus a maximum customary fee of 20% per month. All other charges, other than the actual repossession charges and/or any direct costs incurred to sell the titled property, are unauthorized and subject to refunds. Examples of unauthorized charges include “fix up” costs such as replacing tires or detailing a vehicle.

5) Unsigned Agreements

- Both the lender and borrower must sign the agreement. Otherwise, lenders must refund interest and fees on agreements lacking the appropriate signatures.

6) Taking Possession of the Collateral During An Active Renewal Period

- If the lender takes possession of the titled property during a disclosed thirty (30) day renewal period, then the lender would be required to refund any interest and fees earned for the renewal period in which the repossession occurred. The Department issued industry Bulletin C-08-1 on January 24, 2008 to explain and clarify this position.

7) Exceeding $2500 limitation

- A title pledge lender cannot enter into an agreement or agreements where the amount of money loaned when combined with the outstanding balance of other outstanding title pledge agreements exceeds $2500 when secured by a single certificate of title.

CONSUMER COMPLAINTS

One of the purposes of the Consumer Resources Section is to investigate and attempt to resolve complaints filed against financial institutions chartered and licensed by the Department. Any person aggrieved by the conduct of a title pledge lender may file a written complaint with the Commissioner through the Consumer Resources Section. Once the complaint is fully investigated, the Department will take appropriate follow-up action.

In calendar years, 2012-2013, the Consumer Resources Section processed 60 complaints involving title pledge lenders, as compared to 55 in 2010-2011, and 64 in 2008-2009. Thirty-one (31) complaints were investigated in 2012, of which fifty-two percent (52%) concerned the following issues.

Complaint	Totals
• Repossession Issues	5
• Payment History Dispute	3
• Alleged overpayments	3
• Excessive Fees	3
• Account Balance Discrepancy	2

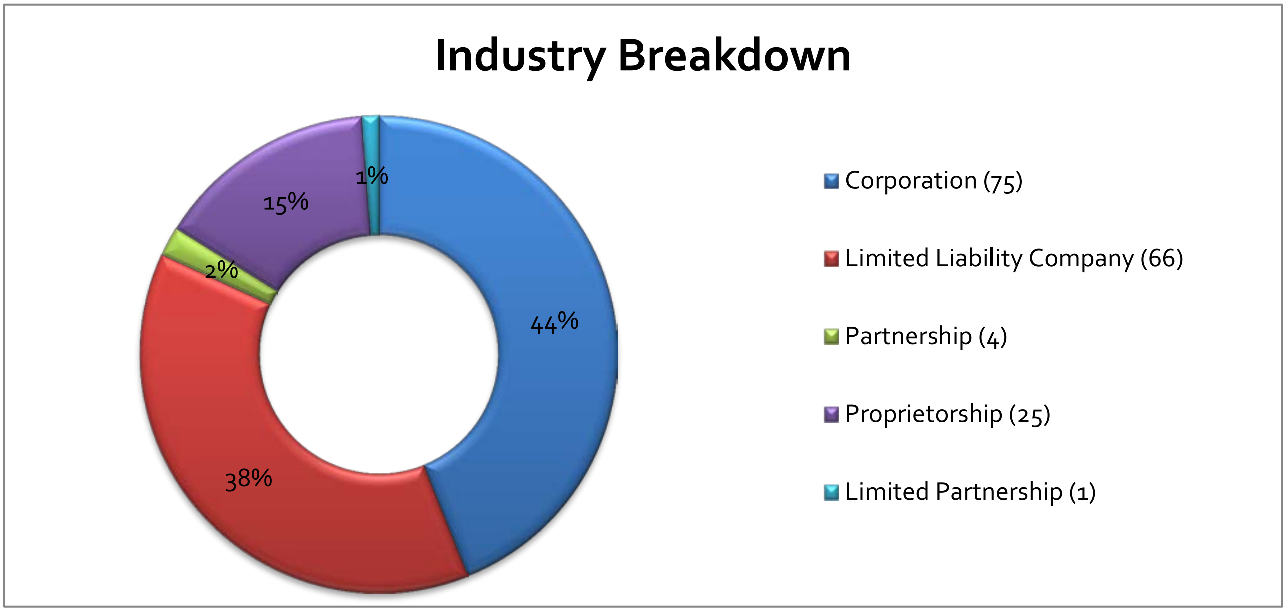
In 2013, the Consumer Resources Section investigated 29 complaints. The more frequent ones, (70%), concerned the following issues.

Complaint	Totals
• Payment History Dispute	6
• Repossession Issues	4
• Forged Title Pledge Agreement / Title Certificate Allegations	4
• Customer Service Issues	3
• Statutory Violations	3

Complaints about customer service are often difficult to substantiate since they are more subjective than complaints alleging violations of the Act itself. The complaints for calendar years, 2012 and 2013 resulted in customer refunds of $650, and $857, respectively. These amounts are in addition to the consumer refunds required from examinations as noted in the preceding section under Examinations.

ANALYSIS OF OPERATIONS

The data which follows was compiled from information provided by 171 title pledge lenders, representing 957 locations in Tennessee, and reflects the general results of operations for calendar year 2012. All renewing licensees that were required to file annual reports complied with this requirement.

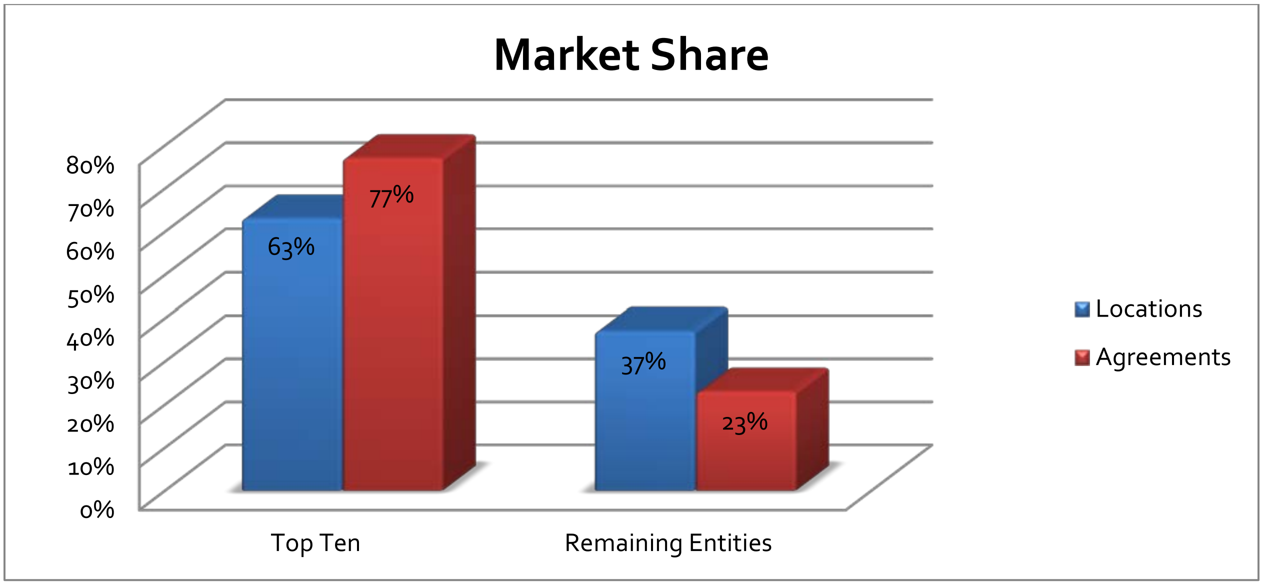


T.C.A. § 45-15-106(i) provides that the licensing year shall end on October 31. The license renewal application must be filed with the Department on or before October 1. Licensees must submit, together with the renewal applications, supplemental financial reports for the preceding calendar year. This information, submitted for 2012, contributed to the data analysis and results of operations presented in the following tables and graphs.

Companies engaging in more than one line of business were asked to segment their income and expenses and report such data exclusively for their title pledge business. T.C.A. § 45-15-109(c)(1)(D), requires a licensee to submit financial statements prepared by a non-affiliated CPA, or public accounting firm and consistent with generally accepted accounting practices.

MARKET SHARE

Title pledge lenders entered into 233,424 new agreements with consumers in calendar year 2012, representing $202,547,916 in loan volume. As illustrated by the chart on the following page, the top ten (10) companies, based on the number of locations in Tennessee, accounted for 602 or 63% of the 957 reporting locations. These top ten (10) companies entered into 179,459 new agreements, representing 77% of the market share. In contrast, 25 proprietorships, representing 29 locations or 3% of the total locations, entered into 2,621 agreements, or 1% of the total new agreements. The remaining 136 reporting entities, representing 326 locations or 34% of total locations, entered into 51,344 of the new agreements, accounting for 22%. From this analysis, the top ten (10) companies controlled a major portion of the market in 2012.



DEMAND FOR NEW TITLE PLEDGE AGREEMENTS

For calendar year 2012, licensees entered into a total of 233,424 new title pledge agreements which does not include renewals of these initial agreements. Of the new agreements written, 77% were for $1000 or less, whereas only 5.5% were made for amounts between $2,251 and $2,500 which is the maximum loan amount permitted by law. The following schedule presents the breakdown of new title pledge agreements by loan amount:

New Agreements by Loan Amount		
	Number	**% of Total**
$250 or Less	30,873	13.2%
$251 - $500	74,753	32.0%
$501 - $750	37,324	16.0%
$751 - $1000	36,348	15.6%
$1001 - $1250	12,028	5.2%
$1251 - $1500	13,158	5.6%
$1501 - $1750	4,724	2.0%
$1751 - $2000	10,092	4.3%
$2001 - $2250	1,290	0.6%
$2251 - $2500	12,834	5.5%
Total Number of Agreements	**233,424**	**100%**

ANALYSIS OF AGREEMENTS RENEWED

From the following analysis, 147,618 agreements were renewed during calendar year 2012. Of these, approximately 13% were renewed only one time. The majority, 56%, were renewed seven times or less. Of the total number of agreements entered into in 2012, 33,815, or 14%, were paid in full after 30 days without renewing.

Total Number of Agreements Renewed in 2012					
	Number	**% of Total**		**Number**	**% of Total**
1 Time	18,676	12.65%	12 Times	4,475	3.03%
2 Times	15,014	10.17%	13 Times	4,001	2.71%
3 Times	13,178	8.93%	14 Times	3,970	2.69%
4 Times	10,738	7.27%	15 Times	4,108	2.78%
5 Times	9,219	6.25%	16 Times	3,629	2.46%
6 Times	8,396	5.69%	17 Times	3,347	2.27%
7 Times	7,506	5.08%	18 Times	3,337	2.26%
8 Times	6,936	4.70%	19 Times	3,266	2.21%
9 Times	6,530	4.42%	20 Times	3,656	2.48%
10 Times	5,911	4.00%	21 Times	4,037	2.73%
11 Times	5,139	3.48%	22 Times	2,549	1.73%

APPLICATION OF PRINCIPAL REDUCTION REQUIREMENTS

Prior to the 2005 amendments to the Act, a title pledge loan could be renewed indefinitely and the interest and fees charged over the life of the loan were unlimited. With the amendments to the Act, and pursuant to T.C.A. § 45-15-113(d), the borrower is required to make a 5% principal reduction beginning with the third renewal of the title pledge agreement. This enables the consumer to reduce the original loan amount by 5% with each payment, resulting in a decrease in interest and fees with each subsequent renewal. All title pledge loan agreements are written for 30 days and are limited to twenty-two (22) renewals over the life of the loan, based on this statutory requirement of a 5% principal reduction.

In the event the consumer cannot make the scheduled principal reduction(s), the lender may defer such payment(s) until the end of the title pledge agreement. However, the lender must still reduce the outstanding principal balance by 5% per month, beginning with the third renewal, and charge interest and fees based on the reduced principal amount. For year-end 2012, the number of deferred principal reduction payments was 25,153, compared to 21,378 deferrals in 2010. Again, a deferral of the principal reduction indicates the consumer cannot make the scheduled payment. *(Refer to Exhibit A - Title Pledge Amortization Schedule)*

CONSUMER DEFAULT AND BAD DEBT EXPENSE

Under the accrual basis of accounting, title pledge lenders record revenue when the customer enters into an agreement to borrow money. The customer is legally obligated to pay back the principal, interest and fees. If the customer defaults, the lender's recourse is limited to taking possession of the pledged collateral. In 2012, the industry took possession of 21,947 vehicles due to non-payment, compared to 17,140 in 2010. If the customer fails to redeem the titled property during a twenty-day holding period, the lender has 60 days to sell it. Proceeds from the sale must be applied against the outstanding loan balance and any surplus returned to the borrower. The industry returned a surplus of $996,749 to consumers in 2012, compared to $996,982 in 2010.

Bad debt expense is an expense associated with a firm's inability to collect accounts receivable, classified usually as an administrative or selling expense. Unless all proceeds from the sale of pledged collateral offset the debt, the balance due is considered uncollectible by the lender and is subsequently charged-off. This amount is classified as bad debt expense on the income statement. Sometimes, the lender cannot locate the collateral and, therefore, the entire debt is deemed uncollectible and charged-off against revenue. In 2012, lenders incurred bad debt expense of $25,564,822, due to non-payment of all or part of the original principal balance, representing 15% of total revenues.

ANALYSIS OF PROFITABILITY

In analyzing profitability industry-wide, this report focuses on net income before tax and performs a break-even analysis based upon interest and fees charged. Net income before tax is revenues from operations less business expenses. In the industry, the revenues are made up of interest and customary fees, not to exceed 22% per month by law. Company expenses include, but are not limited to, salaries, repossessions, bad debt expense, and other general expenses, such as rent, utilities, insurance, supplies, and regulation.

When comparing income between entities within the title pledge industry, net income before tax is more analogous than income after tax. Corporations, limited liability companies, partnerships and sole proprietorships essentially make up the title pledge industry. Although the administrative and operational expenses normally run consistent throughout the industry, the tax treatment from one business type to another may vary significantly. For instance, the income of a corporation is taxed at the corporate level before it is distributed to shareholders; whereas, proprietorships pay tax on income at the individual tax rate. Therefore, "income before tax" is a more appropriate comparative measure when analyzing profitability. The combined net income before tax, including owner compensation for the 171 companies (957 licensed locations) reporting was $42,309,222.

In 2012, the amount of revenue earned was $168,521,593. Of this amount, 34% was paid toward general expenses including, but not limited to rent, utilities, advertising, regulation and supplies. The next largest expense category for the industry was employee salaries which made up 23% of total revenues. Bad debt and repossession expenses likewise accounted for 15% and 3%, of revenues with net income making up 25%. Owner compensation was reported to be $9,091,223, or approximately 21% of net income. Although the industry as a whole was profitable, there was a wide disparity in the level of profitability within the industry.

INDUSTRY REVENUES AND EXPENSES FOR 2012

The following tables group the 957 reporting locations into three categories, by number of licensed locations, showing the income and expenses for each.

December 31, 2012		
	Companies	**Locations**
Single Location	111	111
Medium 2-25 Licensed Locations	53	311
Large: 26 or More Licensed Locations	7	535
Total	**171**	**957**

Income Statement Summary				
	Industry	**Single Location**	**Medium: 2-25 Locations**	**Large: 26 or More Locations**
Revenues	**$168,521,593**	$ 10,340,155	$ 30,548,417	$127,633,021
Employee Salaries	**$ 37,990,528**	$ 2,289,543	$ 7,413,230	$ 28,287,755
Bad Debts	**$ 25,564,822**	$ 978,425	$ 3,331,016	$ 21,255,381
Repossession Expense	**$ 5,833,787**	$ 511,932	$ 1,531,040	$ 3,790,815
General Expenses	**$ 56,823,234**	$ 3,588,560	$ 9,917,130	$ 43,317,544
Total Expenses	**$126,212,371**	$ 7,368,460	$ 22,192,416	$ 96,651,495
Net Income Before Tax*	**$ 42,309,222**	$ 2,971,695	$ 8,356,001	$ 30,981,526

*Net Income Before Tax Includes Owner Compensation

Officer/Owner Compensation	**$ 9,091,223**	$ 2,464,636	$ 3,617,394	$ 3,009,193

Percentage of Revenue				
	Industry	**Single Location**	**Medium: 2-25 Locations**	**Large: 26 or More Locations**
Employee Salaries	**23%**	22%	24%	22%
Bad Debts	**15%**	9%	11%	17%
Repossession Expense	**3%**	5%	5%	3%
General Expenses	**34%**	35%	33%	34%
Total Expenses	**75%**	71%	73%	76%
Net Income Before Tax*	**25%**	29%	27%	24%

*Net Income Before Tax Includes Owner Compensation

Officer/Owner Compensation	**5%**	24%	12%	2%

BREAK-EVEN ANALYSIS

A break-even analysis provides an approximate level of price, or, for this report, interest and fees, at which there is neither a profit nor a loss. A major component of the break-even analysis is the profit margin. The profit margin ratio measures how much of every dollar of revenues a company keeps after expenses. The industry, as a whole, reported the following amounts on their financial reports as of December 31, 2012:

Revenues	$168,521,593	100%	
Expenses	$126,212,371	75%	
Net Income	$42,309,222	25%	Profit Margin Ratio

In 2012, the title pledge industry had a profit margin ratio of 25%, calculated as net income of $42,309,222 divided by revenues of $168,521,593. This means that, on average, for every dollar of revenue earned, $.25 went to net income; whereas, $.75 was used to offset business expenses. Net income, often referred to as the "bottom line", can be distributed among the owners or held as retained earnings.

COMPANIES CHARGING 22% EXCLUSIVELY

Since the break-even analysis is designed to determine an approximate level of interest and fees necessary to be profitable, it is appropriate to look at those title pledge lenders charging 22% (2% interest/20% customary fee), the maximum amount allowable by law, versus a lower amount. It was determined that 121 companies, (503 locations/53%) charged 22% on all agreements. The following amounts were compiled from their income statements.

Revenues	$32,740,286	100%	
Expenses	$23,801,356	73%	
Net Income	$ 8,938,930	27%	Profit Margin Ratio

Lenders who charged 22% exclusively on their loans reported $32,740,286 in interest and customary fees resulting in a profit margin ratio of 27%. The profit margin ratio of 27% means that for every dollar earned $.27 went to net income. Therefore, a $100 loan at 22%, would earn $22, of which $6.00 ($22 x 27% profit margin ratio) went to net income, and $16.00 ($22 x 73% expense ratio) covered expenses. The following analysis translates the profit margin into the actual amount of interest and fees necessary for the company to break-even assuming that costs remain the same as reported.

Revenues	$ 32,740,286		100%			22.0%	Rate Cap.
Expenses	$ 23,801,356 ÷ $32,740,286	=	73%	x 22%	=	16.0%	Break-Even
Net Income	$ 8,938,930 ÷ $32,740,286	=	27%	x 22%	=	6.0%	

In 2012, it appears, on average, that the break-even for lenders charging 22% exclusively was 16%.

COMPANIES NOT CHARGING 22% EXCLUSIVELY

Rates for the remaining 50 companies (454 locations/47%) varied from 5% to 22%, and from the following table, $.75 of every dollar was used to offset expenses; whereas, $.25 went to profit.

Revenues	$135,781,307	100%	
Expenses	$102,411,015	75%	
Net Income	$ 33,370,292	25%	Profit Margin Ratio

According to the following charts, it appears that companies charging 22% exclusively had a higher profit margin than those averaging lower rates.

COMPARISON OF COMPANIES CHARGING 22% OR LESS

Charging 22% Exclusively		
121 Companies / 503 Locations		
Revenues	$32,740,286	100%
Expenses	$23,801,356	73%
Net Income	$ 8,938,930	27%

Not Charging 22% Exclusively		
50 Companies / 454 Locations		
Revenues	$135,781,307	100%
Expenses	$102,411,015	75%
Net Income	$ 33,370,292	25%

A table with the distribution of all Title Pledge Lenders throughout the State of Tennessee is provided at the end of this Report. *(Refer to Exhibit C – Number of Title Pledge Locations by County For 2014)*

CONCLUSION

Title Pledge lending in Tennessee continues to be a significant segment of the financial services sector. Based on reported information covering calendar year 2012, there were 233,424 new title pledge agreements entered into during the reporting period. This compares to 209,155 new agreements for calendar year 2010, and 161,417 new agreements for calendar year 2008. This represents a 12% increase in the number of new agreements since 2010 and a 45% increase since 2008. The total dollar loan volume of these new agreements in 2012 amounted to $202,547,916, compared to $158,647,157 in 2010 and $103,074,433 in 2008. From calendar year 2010 to 2012, the percentage increase in dollar loan volume was 28%, and 97% since 2008.

The largest companies, by number of licensed locations, appear to continue to dominate the industry, as measured by the number of new agreements entered into, accounting for 77% of new agreements during 2012. The number of locations for the top ten companies increased from 461, in 2010, to 602, in 2012; whereas, the number of single location licensees decreased from 126 to 111, respectively. We believe that the largest companies frequently offer rates less than 22%, often at times significantly less. A lowering of rates could be a consideration that might still permit a segment of the industry to operate, depending on the level of rate reduction. Bad debt expense, as a percentage of revenues, ranged from 9% to 17%, whereas, the industry average for employee salaries was 23%. There appears to be little variance in the other expense categories among companies of various sizes. It may be the case that competitive market forces influence rates and fees in urban areas, where there is a high concentration of title pledge lenders, versus rural areas, where there are comparatively few licensees. Currently, 43% of title pledge lender locations are in five counties (Knox, Hamilton, Davidson, Rutherford, and Shelby). Please refer to Exhibit C for a complete list of the counties and the corresponding number of locations. In those areas of the state where there is little or no competition, rates are not likely to move downward by market pressure.

This report cannot make a judgment on the efficiency of licensee operations. Employee salaries and other expenses, including utilities, rent, advertising, and office supplies, are generally consistent from year-to-year. Bad debt expense has also been fairly consistent for the industry as a whole, comprising 16% of revenues for calendar year 2006; 15% of revenues for calendar year 2008; 14% of revenues for calendar year 2010; and 15% of revenues for calendar year 2012. As a percentage of revenues, total expenses decreased from 79%, in 2010, to 75%, in 2012. This compares to 88% in 2008 and 87% in 2006.

While attention, deservedly so, is placed on the rates and practices of title pledge lenders, we also see a more fundamental need facing a segment of Tennessee consumers. The lack of financial literacy among some citizens is a serious concern and we believe it is often a root problem for some of the ills we see in the financial services sector. We understand that some individuals are hampered by circumstances outside of their control such as a serious illness that may force a short term need for immediate credit, but we also know anecdotally of individuals who do not understand that title pledge transactions are not meant for long-term financing of basic necessities. Ironically, we have received complaints from borrowers who do not like the principal reduction feature of the Act because it interferes with their desire or need to enter into long term transactions, even though principal reduction helps to prevent such borrowers from being mired in long term debt. With the exception of unexpected events that may seem to force some to seek out immediate credit, we believe that a lack of a basic understanding of financial concepts has permeated generations of Tennessee families and has created an environment that perhaps supports some of the numbers reported herein.

We are hopeful that a personal finance class which has become mandatory in Tennessee schools will pay long term dividends. Financial literacy continues to be an important segment of our core operations, and the Department has reached out with workshops and partnerships with other public and private entities. The Department has worked for many years with organizations such as Smart Tennessee, the Tennessee Jumpstart Coalition, and others that have done much to promote financial literacy. The Department also supports the Tennessee Financial Literacy Commission, the mission of which is to equip Tennesseans to make sound financial decisions when it comes to planning, saving and investing. The Tennessee Financial Literacy Commission reports that a number of teachers and children have been reached through their efforts to train Tennessee teachers. Not only is financial literacy a key for the welfare of the individual, but we believe it is a key factor for the health of well-meaning financial institutions and ultimately for the Tennessee economy.

As we have for many years, this Department will continue to concentrate on the licensee-focused areas of applications, examinations and enforcement actions. While these three traditional areas of operation are very important, we realize that more attention needs to be placed directly on consumers before the receipt of consumer complaints. The Department is currently implementing a risk focused exam program in the non-bank area. By creating a risk profile on all title pledge lenders and other non-banks, the Department hopes to determine what companies present the greatest risk. Those locations showing the greatest risk will receive more attention from the Department.

Exhibit A

Principal Reduction:	$50.00
Amount Financed:	$1,000.00
Interest Rate/Customary Fee:	22%

Title Pledge Amoritization Schedule									
					A	B	C	D	
Transaction Date	Payment or Renewal	Total Paid	To Interest	To Principal	Principal Balance	5% Principal Reduction	Renewal Fee Due Ax22% = C	Minimum Amount Due B+C = D	Renewal Date
1/1/2013	Initial Loan				$1,000.00		$220.00	$220.00	1/31/2013
	(1) Payment	$220.00	$220.00	$0.00	$1,000.00				
1/31/2013	Renewal				$1,000.00		$220.00		3/2/2013
	(2) Payment	$220.00	$220.00	$0.00	$1,000.00				
3/2/2013	Renewal				$1,000.00		$220.00		4/1/2013
	(3) Payment	$220.00	$220.00	$0.00	$1,000.00				
4/1/2013	Renwal				$1,000.00	$50.00	$220.00	$270.00	5/1/2013
	(4) Payment	$270.00	$220.00	$50.00	$950.00				
5/1/2013	Renwal				$950.00	$50.00	$209.00	$259.00	5/31/2013
	(5) Payment	$259.00	$209.00	$50.00	$900.00				
5/31/2013	Renwal				$900.00	$50.00	$198.00	$248.00	6/30/2013
	(6) Payment	$248.00	$198.00	$50.00	$850.00				
6/30/2013	Renwal				$850.00	$50.00	$187.00	$237.00	7/30/2013
	(7) Payment	$237.00	$187.00	$50.00	$800.00				
7/30/2013	Renwal				$800.00	$50.00	$176.00	$226.00	8/29/2013
	(8) Payment	$226.00	$176.00	$50.00	$750.00				
8/29/2013	Renwal				$750.00	$50.00	$165.00	$215.00	9/28/2013
	(9) Payment	$215.00	$165.00	$50.00	$700.00				
9/28/2013	Renwal				$700.00	$50.00	$154.00	$204.00	10/28/2013
	(10) Payment	$204.00	$154.00	$50.00	$650.00				
10/28/2013	Renwal				$650.00	$50.00	$143.00	$193.00	11/27/2013
	(11) Payment	$193.00	$143.00	$50.00	$600.00				
11/27/2013	Renwal				$600.00	$50.00	$132.00	$182.00	12/27/2013
	(12) Payment	$182.00	$132.00	$50.00	$550.00				
12/27/2013	Renwal				$550.00	$50.00	$121.00	$171.00	1/26/2014
	(13) Payment	$171.00	$121.00	$50.00	$500.00				
1/26/2014	Renwal				$500.00	$50.00	$110.00	$160.00	2/25/2014
	(14) Payment	$160.00	$110.00	$50.00	$450.00				
2/25/2014	Renwal				$450.00	$50.00	$99.00	$149.00	3/27/2014
	(15) Payment	$149.00	$99.00	$50.00	$400.00				
3/27/2014	Renwal				$400.00	$50.00	$88.00	$138.00	4/26/2014
	(16) Payment	$138.00	$88.00	$50.00	$350.00				
4/26/2014	Renwal				$350.00	$50.00	$77.00	$127.00	5/26/2014
	(17) Payment	$127.00	$77.00	$50.00	$300.00				
5/26/2014	Renwal				$300.00	$50.00	$66.00	$116.00	6/25/2014
	(18) Payment	$116.00	$66.00	$50.00	$250.00				
6/25/2014	Renwal				$250.00	$50.00	$55.00	$105.00	7/25/2014
	(19) Payment	$105.00	$55.00	$50.00	$200.00				
7/25/2014	Renwal				$200.00	$50.00	$44.00	$94.00	8/24/2014
	(20) Payment	$94.00	$44.00	$50.00	$150.00				
8/24/2014	Renwal				$150.00	$50.00	$33.00	$83.00	9/23/2014
	(21) Payment	$83.00	$33.00	$50.00	$100.00				
9/23/2014	Renwal				$100.00	$50.00	$22.00	$72.00	10/23/2014
	(22) Payment	$72.00	$22.00	$50.00	$50.00				
10/23/2014	Renwal				$50.00	$50.00	$11.00	$61.00	11/22/2014
	(23) Payment	$61.00	$11.00	$50.00					
	Total	**$3,970.00**	**$2,970.00**	**$1,000.00**					

Exhibit B

Industry Revenues and Expenses for Prior Years' Comparison								
	Calendar 2006		Calendar 2008		Calendar 2010		Calendar 2012	
	175 Companies	672 Locations	173 Companies	700 Locations	179 Companies	762 Locations	171 Companies	957 Locations
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
Revenue	$ 72,125,249		$ 93,399,478		$ 127,369,178		$ 168,521,593	
Employee Salaries	$ 15,891,949	22%	$ 23,771,821	25%	$ 29,058,158	23%	$ 37,990,528	23%
Bad Debt	$ 11,394,220	16%	$ 13,619,798	15%	$ 18,488,686	14%	$ 25,564,822	15%
Repossession Expense	$ 3,227,022	4%	$ 2,538,526	3%	$ 3,317,938	3%	$ 5,833,787	3%
General Expense	$ 32,291,558	45%	$ 42,000,449	45%	$ 49,795,472	39%	$ 56,823,234	34%
Total Expenses	$ 62,804,749	87%	$ 81,930,594	88%	$ 100,660,254	79%	$ 126,212,371	75%
Net Income Before Tax *	$ 9,320,500	13%	$ 11,468,884	12%	$ 26,708,924	21%	$ 42,309,222	25%

* This number includes Officer/Owner compensation

Officer/Owner Compensation	$ 5,164,888	7%	$ 7,418,578	8%	$ 9,207,673	7%	$ 9,091,223	5%

Exhibit C

Number Of Title Pledge Locations by County For 2014			
County	Title Pledge Locations	County	Title Pledge Locations
ANDERSON	7	LAWRENCE	10
BEDFORD	10	LEWIS	3
BENTON	2	LINCOLN	7
BLEDSOE	1	LOUDON	7
BLOUNT	14	MACON	4
BRADLEY	14	MADISON	21
CAMPBELL	7	MARION	7
CANNON	3	MARSHALL	7
CARROLL	4	MAURY	23
CARTER	6	MCMINN	13
CHEATHAM	5	MCNAIRY	4
CHESTER	1	MEIGS	1
CLAIBORNE	6	MONROE	8
CLAY	1	MONTGOMERY	27
COCKE	6	MORGAN	3
COFFEE	15	OBION	7
CUMBERLAND	9	OUT OF ST.	1
DAVIDSON	111	OVERTON	4
DECATUR	2	PERRY	1
DEKALB	3	PICKETT	1
DICKSON	12	POLK	2
DYER	8	PUTNAM	14
FAYETTE	4	RHEA	7
FENTRESS	1	ROANE	8
FRANKLIN	8	ROBERTSON	12
GIBSON	13	RUTHERFORD	44
GILES	5	SCOTT	3
GREENE	12	SEQUATCHIE	4
GRUNDY	1	SEVIER	10
HAMBLEN	9	SHELBY	169
HAMILTON	65	SMITH	2
HARDEMAN	3	STEWART	1
HARDIN	5	SULLIVAN	23
HAWKINS	4	SUMNER	27
HAYWOOD	4	TIPTON	8
HENDERSON	5	TROUSDALE	2
HENRY	4	UNICOI	2
HICKMAN	1	WARREN	9
HOUSTON	2	WASHINGTON	18
HUMPHREYS	4	WAYNE	1
JACKSON	1	WEAKLEY	3
JEFFERSON	7	WHITE	5
JOHNSON	2	WILLIAMSON	6
KNOX	48	WILSON	21
LAUDERDALE	2		