Submission to

Consumer Credit Unit
Retail Investor Division
The Treasury

Langton Crescent, Parkes ACT 2600
Ph: (02) 6263 2046 Fax: (02) 6263 2770

Re the
Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011
Released 24th April 2012

Submitted via email to
consumercredit@treasury.gov.au and christian.mikula@treasury.gov.au

Tuesday 8th May 2012

Contact:

Philip Johns
CEO
National Financial Services Federation Ltd
P: 07 3269 3300
F: 07 3009 0606
M: 0412 509010
E: ceo@nfsf.org.au
Postal Address: Suite 156, 192 Ann St, Brisbane Qld 4000

NATIONAL FINANCIAL SERVICES FEDERATION

The National Financial Services Federation (the Federation) represents almost 300 ASIC-licensed, small-amount, short-term credit providers who arrange more than $800 million of loans to over 500,000 consumers each year. The Federation has a diverse membership that offers lending products ranging from payday loans to personal term loans. The amounts lent range from $50 to $10,000, for terms from a number of weeks to several years. Some members provide just one type of loan while some provide a range of loan services.

The Federation has been closely involved in a Government consultation process since the then Minister Nick Sherry announced in July 2008 that the Commonwealth intended to take over regulation of credit from the States. The Federation has since appeared before the Senate Economics Committee in August 2009, Join Parliament Committee (JPC) in 2011 and has been in regular consultation with Treasury and the Minister's office.

We welcome the opportunity to submit comments to Treasury on the second version of the exposure draft of the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011 (the Bill).

Background:

On Wednesday 4th April 2012, The Consumer Credit Unit Retail Investor Division of Commonwealth Treasury (Treasury) released a discussion paper on potential reforms to the Bill that may be implemented by way of regulations. The issues and questions raised in that paper are the matter of a separate submission to Treasury, but link directly on many issues to the responses in this submission. That response should be read in conjunction with this submission.

Subsequently on Tuesday 24th April 2012, the Minister for Financial Services and Superannuation, Bill Shorten, and the Minister for Community Services, Julie Collins jointly released two documents. The first was the second exposure draft of the amendment Bill. This Bill, which was first introduced into Parliament in September 2011, was the subject of two Parliamentary enquiries. The second version of the exposure draft followed after these parliamentary enquiries and subsequent Treasury consultation.

The second document referred to above is a discussion paper canvassing various strategies for reducing the reliance on small amount credit contracts. No comment will be made on this second discussion paper.

This submission does not attempt to repeat the vast amount of information already supplied to Treasury and the JPC, notwithstanding that key Federation position statements are repeated here. The Bill itself covers some matters that are not necessarily relevant to the matters with which most lenders would be concerned. For example, there is a provision dealing with the voting at the annual general meetings of public companies. The Federation will not make a comment on any matters which do not relate to lending.

DISCLAIMER:

To seek comment on the exposure draft on amendments to the Bill, when its intentions are, apparently (evidenced by the contents of the Bill and the related Treasury discussion paper on 'potential reforms' issued 4th April 2012), to further amend the law by making regulations (the terms of which have not yet been determined), is seeking the impossible. The Federation cannot, and therefore will not, put itself in a position where it can be seen to be agreeing, or for that matter disagreeing, with a proposition which may, at a later time, be amended. Should any factor change, such as, but not limited to, no permitted establishment fee on loans other than Small Amount Credit Contracts (SACC) or the definition of a SACC, we reserve our right to modify and/or rescind any statement made on the Bill in this or any other document.

The purpose of this submission is to perform the following actions:

•Raise the Federation's concerns regarding the process of consultation,
Section 1 – page 3;

•Review changes made to the original Bill and foreshadowed by the Bill released 24th April 2012,
Section 2 – page 5;

•Restate the Federation's key position and policy concerns,
Section 3- page 10;

•Present an overview of the Federation's compromise solution,
Section 4 – page 15; and

•Present in tabular format the required changes to the Bill and highlight areas of significant concern that require further consultation or clarity to industry (Full summary of recommendations),
Section 5 – page 18.

SECTION ONE - Failings and Flaws in the process.

The Federation wishes to first acknowledge and applaud the efforts, work ethics and attitude of the Minister's staff in this process in recent months.

However, the Federation also wants to make clear a number of concerns regarding the development of this legislation; concerns that it has raised on a number of occasions with Treasury but that have, so far, not been acted upon. These concerns are itemised below.

- The continuing tight time-lines for submissions does not allow stakeholders to give complete and thorough feedback, nor does it allow Treasury to do its own thorough research.
- The Federation acknowledges that consumer advocates and financial counselling services such as CALC, Legal Aid, and CCLC NSW perform important work. However, they do NOT represent the more than 500,000 voting consumers who need and use Small Amount Credit products responsibly every year. These organisations appear to have a very large impact on policy even though they never interact with these consumers who are satisfied with the products currently presented in the market.
- The Treasury discussion papers that have been issued following last year's Parliamentary inquiries have failed to address many Small Amount Credit Industry sector issues and fail to address issues and recommendations raised by the Joint Parliamentary Committee.
- In developing national legislation, Treasury continues to rely on "reports" from entities that are not impartial, nor bound by any data gathering or reporting ethical standards (as Tertiary institutions are); neither are they are academic in nature. These reports are based on small scale, localised data groups that are not representative of the 'national population'. Most of these reports have been discredited by external third parties but continue to be referenced by Treasury in discussion papers.
- Treasury continues to rely on reports and anecdotes on our industry sector which are out of date (up to 12 years old), and have absolutely no relevance to the current market place, especially since the introduction of the National Consumer Credit Protection Act on 1 July 2010 (the NCCP). No results of any accredited research since the introduction of the NCCP in 1 July 2010 has been provided to warrant this over-regulation of our industry sector.

- No economic modelling on price caps has been released by Treasury, comparing consumer protection gained using the price caps over non-capping models. Doubling a made up hypothetical cap to another hypothetical number still does not work in the real world. We now request that Treasury release the full economic modelling on the 10% / 2% cap and the now proposed 20% / 4% cap for all the various products in the market place and for all types of credit businesses in the market place including retail, online and home-based businesses.

- There is no reality between the definition of a Small Amount Credit Contract in the Bill and products in the market place.

- The Federation is concerned that there appears to be a diversion from the policy objective to introduce enhanced consumer protection for vulnerable and disadvantaged consumers / low income consumers, to a global 'splat' approach because no one wants to put a line in the sand to define this 'class of consumer'. Paraphrasing comments from Treasury, the reason for this apparent reluctance to determine a clear definition is that -"it's too hard". The JPC even acknowledged this very point at section 5.222: *The committee also notes evidence that there is a growing number of middle income earners accessing the short-term loan market. The committee agrees with views of industry representatives that this growing client base cannot be considered to have the same vulnerabilities as lower income earners and, in particular, consumers whose income is substantially derived from Centrelink benefits.*

  [The Federation suggests where this 'line in the credit market' should exist later in this submission].

- Continuing this 'one size fits all' approach for a definition and price control cap distorts the market both in product choice and supply.

- The Treasury appears to continually ignore, or possibly not understand, complex legal and actuarial information submitted by industry. On this point, we would like to highlight, as an example, the issues raised with Treasury on clause 32A(1), the on-again, off-again clause "that the annual cost rate of the contract must not exceed 48% at any time". At no time has Treasury addressed the issues raised in our previous submission dedicated to this clause; not even to suggest that our advice may have been incorrect. Rather, Treasury has just re-introduced the clause with no explanation. The details of our previous submission on this matter are included later in this submission.

SECTION TWO - Overview of Bill Amendments:

Commencement Dates:

Firstly, the Bill makes it clear that the commencement date of the majority of the matters relating to lending will be 1 March 2013. In general, the relevant dates of the various parts of the Bill are the following:-

1. Amendments relating to matters set out in Schedule 1 of the Bill (changes to hardship variations, remedies for unfair or dishonest conduct by credit service providers, representations about eligibility to enter credit contracts without assessment, prohibition on certain representations, arrangements in relation to employee deduction authorisations, civil remedies for contravention of various parts of the Code and other miscellaneous amendments) - **1 March 2013**
2. Amendments relating to definitions of reverse mortgages - **1 July 2012**
3. Amendments relating to application of reverse mortgages to licensees - **1 March 2013**
4. Amendments relating to small amount credit contracts - **1 March 2013**
5. Amendments relating to caps on costs etc for credit contracts - **1 July 2013**
6. Amendments relating to consumer leases - **1 March 2013**
7. Application of changes relating to National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 - **1 July 2012**

While some definitions and clauses of general application commence 1 July 2012, the majority of the changes will occur 1 March 2013 with the cap on costs commencing 1 July 2013.

RECOMMENDATION:

> Although the Federation agrees with the commencement dates, it strongly recommends that the items which relate to Schedules 3 and 4 be lifted from the current Bill into another bill to allow the numerous unresolved issues to be worked through – with the commencement dates remaining the same.

Schedules 3 and 4 stand alone and therefore do not need any changes to be considered on their own. It is noted though, if Schedules 3 and 4 are removed, the sections to be inserted by Schedule 1 may need to be renumbered.

Outline of Changes

What follows is an outline of the significant changes between the original Bill and the Bill released 24 April 2012. If there is no comment relating to a matter, then it can be assumed there has been no change from the Bill introduced in 2011 or it did not warrant comment. No comment has been made on the reverse mortgage provisions.

Hardship

As was proposed under the original Bill, it was possible for a debtor to provide to the credit provider a "hardship notice" indicating that they were unable to meet their obligations under the agreement for a loan. This has now been expanded to allow a consumer to make an application "orally". The new Bill provides that the credit provider may, within 21 days after the date of receiving the notice, give to the debtor a notice requiring the debtor to provide to the credit provider (within 21 days) specified information relevant to deciding whether and how to change the credit contract to address the debtor's inability to meet their obligations.

The new Bill provides that the debtor must comply with the requirement; failure to do so may entitle the credit provider to refuse to agree to change the credit contract. It goes on to say that a credit provider must, before the end of a specified period, give notice in a prescribed (if any) form and record the fact that the credit provider and the debtor has agreed to change or that they have:

(a) not agreed to change the credit contract;

(b) the reasons why they have not agreed; and

(c) the details of the EDR scheme together with the debtor's rights under the scheme.

The period provided for the delivery of this notice is:

(a) 21 days after receipt of the hardship notice if the credit provider does not require further information;

(b) 28 days after the delivery of the request for further information where the debtor does not provide that information; or

(c) 21 days after receiving the further information requested.

Certain other changes have been made to the legislation, mainly in relation to timing, which takes account of the ability of the credit provider to seek further information in cases where the debtor has delivered a hardship notice.

These same provisions also apply to leases.

RECOMMENDATIONS:

(1) The Federation continues to disagree with the proposed wording that allows a consumer to lodge an application for hardship "orally". There is no certainty that an oral application has been made by a consumer or understood by a credit provider's staff to have been made, in all cases, so that the further requirement provisions have been triggered.

(2) Remove the concept of "oral" communication from the Bill.

CONCERN:

The time frames involved for hardship do not reflect practical time frames for loans that fall into the Small Amount Credit Contract definition.

AUTHORISATION FOR DEDUCTIONS BY EMPLOYER OF DEBTOR OR LESSEE

It is proposed, under the new Bill, that there be new requirements in relation to authorisation to deduct payments from wages by an employer. A new section 160E is added to the NCCP Act which:

1. applies to a credit provider or lessor giving or intending to give an employer of a debtor or lessee an instrument that is made by the debtor or lessee and which authorises the employee to make one or more deductions from one or more amounts payable by the employer and paid into the credit provider or lessor;
2. requires the credit provider or lessor to give the employer a prescribed form with the deduction authority; and

3. requires the credit provider or lessor, where the debtor or lessee is in default under the credit contract or lease, to give the debtor or lessee 7 days' notice in a prescribed form of its intention to give the instrument to the employer.

CONCERN:

The Federation has no direct objection to this requirement on the proviso that the "prescribed form" is not overly burdensome, and is designed such that it can be delivered by mail, fax or email to the employer.

CAPS ON COSTS ETC FOR CREDIT CONTRACTS

The Bill changes the percentages previously proposed under the former Bill for small amount credit contracts from 10% (of the adjusted credit amount) for an establishment fee and 2% (of the adjusted credit amount) for a monthly fee, to 20% and 4% respectively.

The new Bill inserts a requirement for the Minister to "cause an independent review of the operation of this section to be undertaken as soon as practicable after the end of the period of 2 years after the commencement of this section".

In relation to other credit contracts, the 48% interest-rate cap still applies. However, the new Bill changes the penalty provisions slightly so that it is now a criminal offence to not only enter into a contract where the "annual cost rate of the contract exceeds 48%", but now is an offence if the annual cost rate of the contract exceeds 48% "at any time". The penalty is 50 penalty units (currently $5,500.00). This provision has also been made a key requirement under section 111(1) of the code.

This topic, as previously noted in Section One, is a major issue of concern, not only in content, but process. On the 21st Oct 2011, the Federation submitted a document to both the JPC and Treasury on this single issue in response to the discussion paper 'Maximum annual cost rate'. To date, not one of the issues raised in that document has solicited a response from Treasury, even if that response was nothing more than to say that our advice was incorrect and here are the reasons why.

Our response remains the same for section 31A(1); please refer to Appendix 1 for the full 8 page review by two external legal and actuarial firms on the faults with this clause which, as previously mentioned, have not been addressed by Treasury in reply to industry.

The most significant change made to this area of the Bill is that after providing the formula which appears in the current Queensland and New South Wales legislation, the Bill removes the section which describes how the various fees are to be treated and simply says that the calculation will be "in accordance with the regulations". In other words, it does not attempt, in the legislation itself, to determine whether or not a fee of a particular type will be allowed.

It is in this part of the legislation in New South Wales and Queensland that the restriction on an establishment fee was imposed.

The regulations have not yet been drafted and therefore the Federation cannot make any comment on whether or not an establishment fee will be allowed.

Moving this from legislation to regulation has its good and bad points. It is good in that changes can be made quickly and simply by making a regulation without having to go through Federal Parliament. However, it is bad in that these changes can be made virtually at the whim of the Minister. Once a regulation has been made, it is not easy to have it revoked.

RECOMMENDATIONS:

(1) Increase the 20% cap to 25% and apply the cap only to consumers whose sole source of income is from Government benefits and where that benefit is less than $400 per week at the time the contract is entered into.

(2) Delete Clause 31A(1) – See appendix 1 for full details.

(3) For loans other than Small Amount Credit Contracts, allow a permitted establishment fee, plus, cap on the rate of interest at 48% daily reducing interest.

Details of Debit Spiral cap moved to regulations

Similarly, the new Bill removes to the regulations the previously agreed provision that the maximum amount that can be recovered if there is default under the credit contract is twice the adjusted credit amount. It has been replaced by stipulating the maximum amount which may be able to be recovered as an "amount prescribed by the regulations". Once again there are no regulations.

RECOMMENDATION:

Retain this debt spiral control in the Bill. This is achievable once the term of a Small Amount Credit Contract is reduced from 2 years to 1 year.

SECTION THREE

Key Federation position statements

The Federation strongly supports regulation that:

- protects vulnerable and disadvantaged Australians from financial over-commitment;
- ensures consumers have access to the provision of responsibly provided credit services, are fully aware of the alternatives and clearly understand loan costs;
- provides a sustainable commercial environment for the industry; and
- discourages illegal loan providers.

The Federation has supported major regulatory changes under the National Consumer Credit Protection Act, which took effect from 1 July 2010, accepting that these changes have added significant costs to the provision of small amount short term credit.

However, the Bill diverges significantly from the recent course of regulation and will have significant unintended consequences for consumers and the ASIC-licensed industry.

We have, therefore, proposed a compromise solution in Section Four that improves consumer protection while retaining a viable industry and averting financial exclusion for many Australians.

Flawed Legislation Will Hurt Consumers

Significant components of the Government's proposed Amendments are unknown, unworkable and/or impractical and will make the commercial environment for the Federation's members unviable.

Specifically:

- Consumers will lose financial flexibility should their circumstances change (Schedule 3); and
- Proposed Price controls (Schedule 4) are STILL set below the cost of supply.

The end result will be that more than 500,000 consumers that currently use this form of short-term finance will be financially excluded from an important source of funds and will be left with less optimal means of making ends meet.

The Government, in turn, would face calls for a significant boost in funding to community and consumer assistance groups to meet a sudden increase in demand from consumers facing financial exclusion from short-term credit. To be clear, this segment of consumers does NOT qualify for the many schemes touted by consumer advocates and government and therefore has no other acceptable source of credit except through current ASIC licensed credit providers.

The cost of enforcing these amendments would also be significant as unlicensed and illegal lenders would be able to flourish in the absence of licensed, highly-regulated lenders.

It is important to note that Australia's major banks, which exited the small amount, short-term loan sector in the 1990s, have been silent so far and have given no indication that they are willing to re-enter the market aside from providing limited funding to not-for-profit community groups.

Australian Academic Research - Price Caps Don't Work

Research by academics in Australia has found that price controls won't work. As mentioned previously, Treasury has chosen to ignore reports such as the one below, a report produced under the strictest ethical standards, by highly qualified, highly respected impartial academics.

Professor Stephen Corones[1] at the Queensland University of Technology in "Phase Two of the National Credit Reforms Examining the Regulation of Payday Lenders" (March 2011) http://www.ljrc.law.qut.edu.au/files/PhaseIICreditReforms-regulationofPaydayLending.pdf found that there is no compelling argument for further specific protection measures as the following extracts show.

- "While interest rates caps have been heralded as the only regulatory measure that can adequately protect vulnerable consumers, the evidence of recent studies appears to indicate the contrary." (p 55 – Summary and conclusions)

- "If lenders withdraw from the market, this form of credit will not be available to any borrowers, including those who might have been able to afford the loan. Withdrawal or severe restriction is likely to produce financial exclusion or channel the most vulnerable borrowers to illegal lenders." (p 55 – Summary and conclusions)

- "The more preferable regulatory response appears to lie in the adoption of the responsible lending regulations, together with the associated licensing, conduct and disclosure obligations, to prevent credit being extended to those who cannot afford to repay it." (p 55 – Summary and conclusions)

- **"In conclusion there appears to be no evidence that the general protections in the NCCP and the ASIC Act and the remedies they make available to payday borrowers are inadequate. On the contrary, we believe they are comprehensive and sufficient."** (p 56 – Summary and conclusions)

International Regulatory Research - Price Caps Don't Work

Studies by the U.S. Federal Reserve and the U.K. Office of Fair Trading have found that a ban on payday loans meant households ended up paying more default fees and charges on other forms of finance and were forced into the hands of loan sharks.

- **Federal Reserve Bank of New York** in "Payday Holiday: How Households Fare after Payday

[1] **Professor Stephen Corones, B.Com (Qld) LLB (Qld) LLM (Lond) PhD (Qld) Professor of Law, Queensland University of Technology, Listed as one of Australia's leading competition lawyers in the 'Best Lawyers' 2010 report published by the Australian Financial Review.**
2005-2009: Deputy Chair of the Trade Practices Committee of the Law Council of Australia. 2008: Appointed by the Minister for Competition Policy and Consumer Affairs to the Commonwealth Consumer Affairs Advisory Council (CCAAC) for a three year term, 2007: Engaged by the Productivity Commission to prepare a Comparative Study of State and Commonwealth Consumer Protection and to provide related advice.

Credit Bans" (Nov 2007)
http://www.newyorkfed.org/research/staff_reports/sr309.html**This US study found that households in Georgia and North Carolina, where payday loans were banned, were worse off.** There were more bounced cheques, more complaints about lenders and debt collectors and more bankruptcies.

The UK Office of Fair Trading in "Review of High Cost Credit" (June 2010)
http://www.oft.gov.uk/shared_oft/reports/consumer_credit/High-cost-credit-review/OFT1232.pdf

- **This UK study found that unviable price controls would force legitimate lenders out of business and send consumers into the hands of loan sharks.** Moreover, price controls are expensive and difficult to enforce.

Treasury's Regulation Impact Study

The Government's proposed Amendments are at odds with Treasury's own Regulation Impact Study (RIS).

Treasury acknowledged in the RIS that a price *"cap can be set too low, and therefore risks putting out of business large parts of the market" (as has been argued in relation to the current cap in New South Wales of 48%).*

The RIS said that a *cap* for short-term loans should be consistent with the costs of providing such loans and used the example of $30 in charges for every $100 short-term loan.

The RIS also considered the effect of a tiered approach to costs on short-term credit providers and lessors and found that *"if it is too low, it may restrict the availability of short-term credit by limiting charges to such an extent that short-term lending businesses become unprofitable. The consequences of this could be either greater exclusion from the credit market of certain sections of the Australian population, or the emergence of an unregulated market in short term credit."*

The Bill Diverges Sharply From Regulatory Course

Minister Bill Shorten and many who support this legislative review have made it clear that a viable industry is important to the credit sector as a whole and to consumers who want to have the choice of accessing a commercially provided small amount, short-term loan.

The Federation is particularly concerned that the Bill diverges significantly from the recent course of regulatory change in the industry and, in fact, means that the industry will become unviable, for all but the largest players in the industry, forcing small businesses to close and creating mass unemployment.

Up until the Bill was made public, regulatory discussions had focused on improved, government-funded solutions, programs to improve financial education and maintenance of a viable industry. **The Federation fully supports these ongoing discussions and recommends that a short-term loan industry forum, similar to that which operates in the United Kingdom, be established.** This forum would provide a meaningful opportunity for all participants from industry, government, and the consumer advocacy sector to review lending practices and general industry standards while ensuring that consumer protection remains of the highest standards.

The Bill fails to recognise the powers of the regulator and compliance requirements imposed on credit providers since 1 July 2010.

Credit providers have spent significant sums of money (tens of thousands of dollars, and in some cases hundreds of thousands of dollars, prior to 1 July, 2010) to gain a credit license and to comply with other regulatory changes. These licenses will become worthless under the new Amendments.

Importantly, the significant regulatory changes in Phase 1 have only just had time to become bedded down before the Government is embarking on another major series of unwarranted changes.

Again, what concerns the Federation is that, when licensing was introduced, there was no indication given by Treasury or the Government of the severe restrictive and unviable content of the proposed Amendments. This means that many currently licensed lenders may have chosen not to commit many thousands of dollars and copious hours to gaining licences and implementing licensing requirements if they had known that these changes were coming.

There are over 2000[2] ASIC-registered credit license holders who will be affected. **Combined, these credit providers employ several thousand staff across Australia who will no longer have employment or livelihood prospects if this new legislation takes effect.**

Cases of consumer detriment are extremely low

[2] ASIC Media Release 147, notes that for micro Loans (less than $3000) there are 1089 licensees & for short-term loans (not more than 6 months) there are 2147 Licensees as of 21st July 2011. Ref http://www.asic.gov.au/asic/asic.nsf/byHeadline/11%E2%80%93147MR%20ASIC%20successfully%20completes%20credit%20licensing?opendocument

Cases of consumer detriment have occurred in the small amount short term lending sector, just as they occur in all other credit sectors and all other industry sectors. However the number of cases is extremely low given the million-plus transactions each year that occur in our industry sector and does not mean there has been a market failure.

We understand that 100 per cent of a consumer advocate's day is like a vehicle smash repairer or doctor in the emergency ward. They only see consumers only when something goes wrong; they don't see the remainder of the population who never need their assistance.

In a report by the Credit Ombudsman, it was reported that there were 60 resolvable complaints in the first year of operation, ending 30 June, 2011. This insignificant number is estimated by the Federation to represent an industry wide complaint rate of <u>0.005 of one per cent</u> when compared to the estimated number of transactions per year.

SECTION Four – Compromise

Compromise Proposal – A Solution That Works for Everyone; that allows the Government to impose a cap and maintain a viable industry.

The Federation proposes a practical solution that will improve consumer protection while retaining a viable industry, thus averting financial exclusion for many Australians.

Significant resources and time have been spent and research conducted in the development of this proposal with the aim to eliminate any unintended outcomes for consumers, the industry or any other credit sector.

The content of the submission reflects the feedback of our members and the vast knowledge of the Federation's Board, which exceeds 150 years of combined lending experience in a variety of areas including small amount, short-term loans, and mainstream banking.

The Federation's proposal includes details for the introduction of the following:

(1) A Protected Earnings Amount For Borrowers

- Consumers could commit only a MAXIMUM of 25% of net income to repayment of Small Amount Credit Contracts, where the consumers' sole source of income is government benefits and that benefit is less than $400 per week at the time of entering the contract. See Appendix 2 for modelling from Benzulla Actuarial

(2) Allow Consumers The Right To Rescind Small Amount Contracts

- Consumers would effectively be able to cancel a contract by the end of the next business day without financial penalty.

(3) Direct Debit Suspension

- Credit providers would have to suspend direct debit payments after three consecutive failed direct debit attempts until the consumer is contacted to prevent a borrower accumulating both lender and bank fees for dishonoured payments.

(4) Debt Spiral Controls Extended to authorised representatives of Credit Licensees

- If a Small Amount Credit Contract is sold or passed to an external debt collection firm or other entity who is an authorised representative, those third parties would also be bound by the "twice adjusted credit amount" debt spiral control.

(5) Short-Term Credit Forum

- Initiation by Government of a regular forum between the credit industry and consumer groups to exchange ideas and ensure best practice. It could also include the Credit Ombudsman and Government regulators.

(6) Redefine Short-Term Credit Contract

- The Term of a Small Amount Credit Contract be reduced from 2 years to 1 year.

(7) Establish a viable cap For Small Amount Credit Contracts for low income consumers on Government benefits.

- Replace 20% / 4% with 25% / 4% cap, when the consumers sole source of income is government benefits and that income is less than $400 per week at the time the contract is entered into. Thus allowing RLO to regulate the remainder of the SACC provided.

(8) Allow Permitted Establishment Fee On Certain Contracts (Other Than Small Amount Contracts)

- A Permitted Establishment Fee plus Daily Reducing Interest capped at 48% would allow credit providers to cover costs.

As per the Disclaimer, the Federation reserves its right to amend these suggestions, once the contents of the regulations are known.

The benefits of the Federation's proposal

- Meets the objective of reducing the cost to consumers for small amount credit contracts.
- Extends and improves protection from over commitment for low-income consumers.
- Meets the policy objective of introducing protection for low-income consumers, but at the same time recognises that the market as a whole is far larger than this narrow consumer demographic.
- Ensures choice and flexibility for consumers through a viable and competitive business environment.
- Removes Consumer's restriction to a single credit provider.
- Allows potential for a change in a consumer's situation during the term of the loan regardless of the size and length of the loan.
- Greatly reduces need for unworkable prescriptive amendments to be inserted in principals-based legislation.

The Federation already agrees with the Government on a number of important issues:

- **Protecting low income consumers** by enhancing the National Consumer Credit Protection Act 2009 and greatly improving the availability of services provided by various community groups, such as no-interest and low-interest loan schemes (NILs & LILs). These services have been under-funded for many years and require an urgent overhaul. This is the right policy outcome and improvement for this minority group (of low income consumers);

- **Providing greater flexibility around Centrelink loans to low income consumers, and**

- **Improving hardship programs within Electricity & Gas suppliers.**

SECTION FIVE – Required changes to the Bill

DISCLAIMER:: To seek comment on the exposure draft on amendments to the Bill, when its intentions are, apparently (evidenced by the contents of the Bill and the related Treasury discussion paper on 'potential reforms' issued 4th April 2012), to further amend the law by making regulations (the terms of which have not yet been determined), is seeking the impossible. The Federation cannot, and therefore will not, put itself in a position where it can be seen to be agreeing, or for that matter disagreeing, with a proposition which may, at a later time, be amended. Should any factor change, such as, but not limited to, no permitted establishment fee on loans other than Small Amount Credit Contracts (SACC) or the definition of a SACC, we reserve our right to modify and/or rescind any statement made on the Bill.

Key changes required

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	JPC Reference and Comment
Sch 3 - 5(1)(e) *the term of the contract is 2 years (or such other number of years as is prescribed by the regulations) or less;*	Replace: '2 years' with '1 year' ; and 'number of years' with 'time period'; to read; *the term of the contract is 1 year (or such other time period as is prescribed by the regulations) or less; and* **As per the disclaimer, the Federation's suggested time period may change depending on, but not limited to, the content of the regulations and provisions, if any, for capping of loans other than Small Amount Credit Contracts.**	
Sch 3 – new section 5(1)(g)	Insert new subsection 5(1)(g), *This section only applies to a debtor :-* *(1) If the debtor's sole source of income is from Government benefits, and* (2) *If the amount of the Government benefits received by the debtor is less than$400 per week (or such other dollar amount as is prescribed by the regulations) at the time the contract is entered into".* Comment: For all other consumers market driven competition would set the fee level to include a permitted establishment fee plus a 48% cap on interest.	5.222 *The committee also notes evidence that there is a growing number of middle income earners accessing the short-term loan market. The committee agrees with views of industry representatives that this growing client base cannot be considered to have the same vulnerabilities as lower income earners and, in particular, consumers whose income is substantially derived from Centrelink benefits.*

Key changes required

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	JPC Reference and Comment
Sch 3 – 124B *Prohibition on suggesting, or assisting with, small amount credit contracts*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*
Sch 3 – 124C *Prohibition on suggesting, or assisting with, credit limit increases*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*

Key changes required

SMALL AMOUNT CREDIT CONTRACTS:

Section	**Required Action**	**JPC Reference and Comment**
Sch 3 – 133CB *Credit providers must not enter into small amount credit contracts in certain circumstances*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*
Sch 3 – 133CC *Credit providers must not refinance credit provided under small amount credit contracts*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*

Key changes required

SMALL AMOUNT CREDIT CONTRACTS:

Section	**Required Action**	**JPC Reference and Comment**
Sch 3 – 133CD *Credit providers must not increase the credit limit of small amount credit contracts*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*
Sch 4 - 31A(1)(a) *a fee or charge (a permitted establishment fee) that reflects the credit provider's reasonable costs of determining the application for credit and the initial administrative costs of providing the credit under the contract;*	Reword to; *a fee or charge (a permitted establishment fee);*	N/A

Key changes required

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	JPC Reference and Comment
Sch 4 - 31A(2) *The amount of a permitted establishment fee that may be imposed or provided for under a small amount credit contract must not exceed 20% of the adjusted credit amount in relation to the contract.*	In the absence of any study suggested by the JPC or modelling by Treasury, Replace 20% with 25% to read; The amount of a permitted establishment fee that may be imposed or provided for under a small amount credit contract must not exceed 25% of the adjusted credit amount in relation to the contract. **As per the disclaimer, the Federation's suggested value for the cap may change depending on, but not limited to, the definition of a Small Amount Credit Contract, the content of the regulations and provisions, if any, for capping of loans other than Small Amount Credit Contracts.**	5.233 *The committee considers that the restriction on fees and charges for small amount credit contracts should be set at a level that will ensure the ongoing viability of the small amount credit contract sector. The committee strongly urges the Government to work with industry to establish a better balance between protecting the vulnerable and supporting a properly regulated small amount credit market.* 1.22 *At the very minimum, before we could support the imposition of such a law, we would need to be satisfied that the caps had been carefully developed based on a study of the business models of industry participants and their costs. We recommend that the Productivity Commission or a similar agency be tasked to carry out this study and recommend pricing which would permit STSA lenders to achieve a reasonable return on capital.*
Sch 4 – 39A *Limit on the application of amount of credit provided under a small amount credit contract*	Delete	5.243 *The evidence indicates that the measures regarding restrictions on multiple concurrent contracts, refinancing and increasing credit limits are at odds with the principles and effect of the responsible lending obligations. Measures should be introduced to strengthen protections for consumers accessing short-term loans, however, these should complement, not contradict, the responsible lending obligations.* *5.244 Accordingly, the committee recommends that the Government undertake further consultation with stakeholders to address concerns identified and, in doing so, develop additional measures that will increase consumer protection and lift industry standards.*

Key changes required

CONTRACTS OTHER THAN Small Amount Credit Contracts:

Section	Required Action	JPC Reference and Comment
Sch 4 - 32A *Prohibitions relating to credit contracts if the annual cost rate exceeds 48%*	Delete. Replace with a permitted establishment fee, plus, cap on the rate of interest at 48% daily reducing interest	*5.235 The committee acknowledges that fees should reflect the cost of lending. However, the committee does not consider that it is best practice to impose a fee ceiling that is calculated using an APR. This method distorts the actual cost to the borrower, and the cost to the lender, and is therefore not the appropriate regulatory tool.*
Sch 4 - 32B *Calculation of annual cost rate*	Delete.	*5.235 The committee acknowledges that fees should reflect the cost of lending. However, the committee does not consider that it is best practice to impose a fee ceiling that is calculated using an APR. This method distorts the actual cost to the borrower, and the cost to the lender, and is therefore not the appropriate regulatory tool.*

Summary of new sections to enhance consumer protection

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	Suggested Wording
New section	Protected Earnings for consumers whose sole income source is government benefits and that benefit is $400 or less. **As noted elsewhere in this submission, this restriction is NOT suggested for all SACC, only consumers described above. It would be an unworkable restriction if applied to full time employed**	Insert new section 133CF in the Act: **133CF Protected earnings amount** (1) A credit provider must not enter into a small amount credit contract where the repayments due under that contract, when added to repayments due under any other current small amount credit contract, exceed 25% of the debtor's net income during any repayment period. (2) For the purposes of this section: a. *net income* means the average ordinary income received by the debtor from all government sources during the repayment period less any amount ordinarily withheld in respect of income tax on that sum, and b. *repayment period* means the period of time between the due dates for repayments or if there is only one repayment, the period of time between the date of the agreement and the date the payment is due. (3) This section only applies to a debtor :- a. If the debtor's sole source of income is from Government benefits, and b. If the amount of the Government benefits received by the debtor is less than $400 per week (or such other dollar amount as is prescribed by the regulations) at the time the contract is entered into".

Summary of new sections to enhance consumer protection

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	Suggested Wording
	consumers for example.	Comment: This amendment is intended to ensure that the total of all payments due under **all** small amount credit contracts does not exceed 25% of the debtor's net income.
New section	Right to rescind by close of next business day – no cost to the consumer	Insert a new section 133CE in the Act: **133CE Right to rescind a loan** (1) The debtor may at any time up until the end of the next business day after a small amount credit contract is entered into advise the credit provider in writing that the debtor wishes to terminate the contract. (2) If the debtor has advised the credit provider in accordance with subsection (1) and has within 2 business days of the date of the notice repaid to the credit provider in full any moneys the credit provider has paid to the debtor or on behalf of the debtor, the credit contract is at an end. (3) The regulations may prescribe the method of the giving the notice referred to in subsection (1) and the method of repayment in subsection (2). Comment: This amendment is intended to provide the debtor with a cooling off period which expires at the end of the next business day after the credit contract is entered into. The debtor can, by notice in writing to the credit provider, terminate the contract and, provided the notice is given and all moneys paid to the debtor by the credit provider are returned within a further 2 business days, the contract is at an end. It is expected that the regulations will provide the form of notice which needs to be given either by reference to a specific form, or simply by reference to what has to be included in that notice. The amendments are kept deliberately simple in order to make the task of the debtor as easy as possible to take advantage of this provision. This amendment does not alter the credit provider's obligations under any other provision of the credit law.
New section	Automatic direct debit suspension after 3 failed repayments in a row – action required by lender	Proposed amendment: Insert a new section 87A in the Code: **87A Direct debit suspension** (1) This section applies if: (a) a debtor authorises payment of an amount for a credit contract by direct debit; and (b) a default in the payment has occurred in each of the previous three occasions in which the credit provider sought payment under the direct debit since the credit provider last obtained the authority from the debtor to seek payment under the direct debit. (2) The credit provider must: (a) send a letter to the debtor, and any guarantor, addressed to the last known address and advising the day, not less than 14 days from the

Summary of new sections to enhance consumer protection

SMALL AMOUNT CREDIT CONTRACTS:

Section	Required Action	Suggested Wording
		date of the letter, on which the credit provider will seek payments under the direct debit, or (b) make personal contact with the debtor advising the day, not less than 7 days from the date of the contact, on which the credit provider will seek payments under the direct debit. (3) The credit provider must not seek a payment under the direct debit until the earlier of: (a) the expiry of the time referred to in subsection (2), or (b) the debtor giving the credit provider authority to do so. Criminal penalty: 50 penalty units. (4) In this section *Bulk Electronic Clearing System* and *direct debit* shall have the same meanings as set out in section 87. Comment: The intention of this amendment is to suspend direct debit payments once there have been 3 consecutive defaults. The payments cannot recommence until either the expiration of a notice to the debtor indicating the credit provider's intention to recommence payments or the receipt of authority by the debtor to recommence payments.
Sch 4 39B *Limit on amount that may be recovered if there is default under a small amount credit contract*	Enhance debt spiral protection Include fees from authorised representatives of the credit provider, such as debt collection firms.	Amend the proposed section 39B of the Code so that it reads: **39B Limit on amount that may be recovered if there is default under a small amount credit contract** (1) If there is a default in payment under a small amount credit contract, the maximum amount that may be recovered (whether by repayments under the contract or otherwise) by any person, whether the credit provider or an assignee or agent of the credit provider, in relation to the contract must not exceed an amount that is twice the adjusted credit amount in relation to the contract. (2) Any provision of the small amount credit contract that confers a greater right is void to the extent that it does so. If an amount is in fact recovered in excess of this limitation, it may be recovered back. (3) This section does not apply to enforcement expenses. Comment: The amendment to the section 39B proposed in the Bill is to extend the limit on the amount that may be recovered under a small amount credit contract to authorised representatives, which includes assignees and agents of the credit provider, including debt collection firms. It retains the proposed subsection (3) which excludes enforcement expenses from the calculation of twice the adjusted credit amount.

Summary of sections that are creating significant concern and need further review / clarity

Section	**Concern**	**JPC Reference and Comment**
Sch 1 s60D , Sch 3 s124B, Sch 3 s133CB Sch4 s24A(1)(b), Sch 4 s32A(2)	Use of the term 'reckless', with criminal liability is not acceptable. This would be up to the courts to decide. More certainty by use of a clear definition is required such as 'fraudulent misrepresentation'.	N/A
Sch 3 s5(1)(b) *Small amount credit contracts: a contract is a small amount credit contract if:* *(b) the credit provider under the contract is not an ADI; and*	All Australian Credit Licence holders operate under the same rules. The law must apply equally to all licensed credit providers. Non-bank lenders provide similar, if not the same products, to ADI's. This proposed section creates an unfair market place and possible anti-competitive issues.	5.237 *However, the committee recognises the potential impact on the principle of competitive neutrality of the proposed reforms and therefore considers that the Government should consider the implication of the proposed legislation for competitive markets and the adequacy of the prudential regulations for short-term, small amount credit contracts provided by ADIs.*
Sch 1 s72(1) *(1)If a debtor considers that he or she is or will be unable to meet his or her obligations under a credit contract, the debtor may give the credit provider notice (a hardship notice), orally or in writing, of the debtor's inability to meet the obligations.*	The introduction of the concept that a hardship application can be made "orally" is too vague. It introduces uncertainty for both the consumer and credit provider that an application has in fact been made in all cases. The Federation maintains that the concept of oral applications be removed from Hardship applications, which is in line with the JPC recommendation.	Recommendation 3 2.52 *The committee recommends that 'orally' be removed from subclause 72(1), to require hardship applications to be made in writing.*
Sch 1 s72 Periods for giving notice	The time periods proposed have little if no relationship to products such as Small **Amount Credit Contracts**	N/A

Appendix 1

This contents of this appendix address the Federations reply to section 31A(1) in Schedule 4 of the Bill

This Federation response includes input from 30 Members representing over 200 small amount credit provider outlets, two legal advisors and Bendzulla Actuarial.

All contributors to this response believe that the unworkable and unviable option proposed is neither practical for consumers nor implementable by industry.

IMPORTANT :: **Section 31A(1) in the this version of the Bill was previously referred to as section 32A(2), hence 32A(2) was used as the reference in the Treasury Discussion Paper – Maximum Annual Cost Rate, issued 14 Oct 2011, which is also included for reference.**

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Re: Commonwealth Treasury Discussion Paper: Maximum Annual Cost Rate

1. Responses to Treasury's Views

Treasury View: *The formula used to calculate the annual cost rate averages the cost of (sic) the term of the contract and therefore the impact of a new fee or charge will not usually be significant in itself.*

Response: With respect, this view flies in the face of the actuarial context in which these calculations take place. Assuming that the word "of" is meant to be "over", the view assumes, for instance, that:

- All contracts will go "full term"; and
- All contingent charges are so small as to have no "significant" impact when averaged over the life of a loan; and
- All contracts are close, in length, to the 2 years identified in the definition of SACC in the Enhancements Bill.

In fact, many consumer credit contracts are terminated earlier than their full term, whether by the consumer through early discharge or by the credit provider on the default of the borrower. When this occurs, the Annual Cost Rate ('ACR') formula, originally applied at the beginning of the loan by the credit provider as part of its compliance process, if applied after termination, may lead to much higher "rates" than first calculated.

Further, not all contingent charges are so relatively small as to have an insignificant impact over the life of a short term loan or one for which the term has been shortened by early termination. Of course, all such charges are already regulated by the National Credit Code[1], but such regulation does not prevent the recovery by the credit provider of the reasonable costs of enforcement which are likely to accompany an early termination for breach. These are likely to be even greater if there is security, for instance, over a motor vehicle.

Thirdly, the shorter the loan in its inception, the higher the relative impact of such fees on the calculation of the ACR. Even under the definition of a SACC in the Enhancements Bill, it is quite likely that the impact of contingent enforcement fees on a loan just over two years in term will be relatively high. If the definition of a SACC proposed in the Federation's submission was adopted this problem would be much greater for loans approaching the lower $500 limit.

[1] E.g. Section 32 Any third party fees or charges "passed on" must be limited to the amount actually paid by the credit provider to the third party and section and under section 107 limits the enforcement expenses which the credit provider may impose to those which are "reasonable."

Lastly, it is the interaction of all these factors together that will lead to unrealistic and unworkable results. A relatively short loan that is terminated early for breach and that is secured by personal property securities (for instance, a chattel mortgage over a motor vehicle), will be almost impossible to administer within the precepts of this proposed amendment.

Treasury View: *The formula allows a credit provider to determine the maximum amount they can charge before the contract is entered into and therefore to ascertain a relative buffer of additional costs they can charge.*

Response: Credit providers have little or no "buffer" in their business models to absorb costs which are only contingent at the beginning of any loan. Credit providers in the small personal loan market, (whether a SACC or not) will have no choice but to charge the maximum amount allowed by law, give or take a few points to provide some advantage over their competitors, and then take the risk, along with their customer, that contingencies could arise. Indeed, as is the case in the home loan market, the differences between competitors are rarely based on price but on other matters such as customer service and ease of process.

Contingencies, of course, are just that and the business model of most credit providers in this market is based on an assumption that consumers will meet their obligations and that most contracts will run full term. If contingencies arise, there must be provision in contracts and latitude in regulation for the costs of those to be recovered.

Treasury's View: *The impact of an individual fee or charge will be significant where the fees is relatively large compared to the amount of credit provided (particularly therefore where the credit provider is arranging a credit contract for a relatively small amount).*

Response: This is so but, as discussed above, it may be unavoidable and this makes the proposed amendment unworkable.

2. Consumer Detriment

a. Loss of Choice

The Federation is concerned that the application of the ACR at any time over the life of a loan, as envisaged by the proposed s31A(1), will dramatically restrict the range of products that may be made available to consumers. This will be to the detriment of consumers and reduce their choices and flexibility in the personal loan market.

For instance, if s31A(1) is passed as proposed, in order to avoid inadvertent non-compliance, credit providers will have to:

- Structure all loan repayments so as to align as closely as possible with the assumptions in the formula for the ACR in s32B, namely, equal payments at regular intervals. This will exclude those consumers who, for instance, are confident of a fixed income for a short fixed period but not so for later in the loan or vice versa. Currently, consumers have the option to “frontload” repayments or “backload” them depending on their requirements. In a competitive market, credit providers, certain of their ultimate repayment and compliant cost recovery, will accommodate consumers. This capacity for competitive accommodation and customizing of repayment schedules for the benefit of consumers will be lost under the proposed s31A(1).
- Refuse early repayments by consumers for fear that doing so will have the effect via the s32B formula of exceeding the ACR. This is because, even without an early termination fee, many of the fees incurred “upfront” in a loan, for instance, its documentation, credit record searches, fees to brokers, have already been paid and are not recoverable should the consumer pay out early.

So, while this response will discuss the various options below, **the overall position of the Federation is to oppose the re-insertion of s31A(1) as being unworkable and as reducing product flexibility and consumer choice.**

b. Administrative Costs

All of the options discussed will impose new administrative costs on credit providers. They will be forced to recalculate the ACR each and every time there is:

- The imposition of a contingency fee by the credit provider because a contingency arises usually due to the conduct of the consumer e.g. late payment.
- A fee or charge for an “extra” service provided to the consumer e.g. an extra copy of a statement.

- An adjustment to the length of the loan due to the actions of the consumer e.g. voluntary early termination or termination for breach.

c. Hardship Variations

Section 72 of the NCC[2] provides for variations in loan repayments due to "illness, unemployment or other reasonable cause." Granting applications for such variations always requires credit providers to recalculate repayments and the consequences for interest and other fees and charges. There is nothing new in s32A(1) that changes this. Section 31A(1), however, with its requirement for credit providers to stay under the capped ACR "at any time" makes these calculations more difficult and consequential. It is likely that the "safest" course for a credit provider will be to refuse such applications and wait until the relevant EDR, tribunal or court makes an order granting it or otherwise restructuring the loan. This is not a good outcome for consumers or industry.

d. Moral Hazard

While the general knowledge of consumers as to their rights and, indeed, their obligations in consumer credit is a problem acknowledged by the Federation in its Submission to the Parliamentary Committee and its other submissions, there is the possibility of a moral hazard developing if a consumer becomes aware of the capping effect of section 31A(1). If a consumer knows that, regardless of the terms of the contract that they have entered into, that no fee or charge can be imposed that takes the total amount of fees or charges for the contract over the capped ACR, there is an incentive for them to engage in conduct that triggers the imposition of such a fee or charge, for instance, late payments or failing to maintain contractually required insurance over secured property such as a motor vehicle.

This would put credit providers in the position of refusing to deal with such a consumer in the future and making reports to their credit record. This will ultimately be to that consumer's detriment when the system, if properly structured, could have provided incentives for them maintaining a better credit profile generally as well as a better standing with the particular relevant provider. It also adds considerably to the risk for credit providers dealing with particular sections of the market.

4. **The Unmanageable Risk of Inadvertent Breach**

It is possible that some fees or charges will be paid by the consumer "in relation to" the credit contract to third parties without the knowledge of the credit provider. The proposal will include these fees or charges in the ACR calculation and could lead to an inadvertent, indeed, unknown breach by the credit provider of the proposed section 31A(1).

[2] As did its predecessor in the Uniform Consumer Credit Code at section 66

In business models where the credit provider is in constant contact with the relevant credit assister who referred the customer, this may not be a problem but this is not always the case. Likewise, if the consumer pays the credit assister on a fee-for-service rather than a commission basis, and this arrangement is not finalised at the beginning of the loan period (often described as the "settlement" time), then there is no means by which the credit provider can know of such subsequent payments. Yet these payments are required to be included in the ACR calculation.

If, for instance, the consumer offers a motor vehicle as security for a small personal loan and the credit provider, quite reasonably, requires insurance as a condition of that loan, it is arguable that ongoing insurance premiums are included in the ACR. While details of these, during the current term of an insurance policy, could be ascertained at the beginning of the consumer credit contract and, therefore, be easily included in any ACR calculation, this is not so if:

- The insurance policy term does not match the loan term;
- The insurance policy provides for premium changes mid-term; or
- Other contingent fees arise in relation to the insurance policy, e.g. a premium direct debit payment which fails and incurs a charge.

The risk of inadvertent and unintentional breach of the ACR "at any time" can only be managed by credit providers, at considerable administrative expense, if they know of all fees and charges paid by the consumer in relation to the credit contract. If they don't, and they can only rely on the consumer to tell them in many cases, then this risk becomes unmanageable.

5. **Option 1**

This option presents a substantial administrative impost to all lenders, whether they lend small amount loans or provide larger middle-to-high value loans over longer periods of time. Although the latter are at less risk of exceeding the ACR cap, it is likely that any adequate compliance program would require recalculation of the ACR on each occasion that:

- A contingent fee is imposed; or
- The term of the loan is adjusted.

Of course, as is always the case, the administrative costs of compliance fall more heavily on small credit providers and, in a relative sense, on small loans. The burden will ultimately be borne by consumers.

As discussed in the Federation's Submission, many of these costs which arise on contingencies are fixed in value regardless of the size of the relevant loan. Enforcement expenses, for instance, relate to credit provider time and resources as well as fees to third parties. The size of the loan is largely irrelevant.

The risk that some credit providers could, to use the expression in the Discussion Paper, inadvertently exceed the prescribed annual cost rate is high, especially in the case of small amount loans.

The possibility, mentioned in the Discussion Paper, that credit providers would use contingency fees to overcome the effect of the cap in s32A(1) is covered by those provisions in the National Credit Code specifically directed at fees and charges as discussed above. An inspection of the records of a credit provider by ASIC, using its powers under the licensing provisions of the National Consumer Credit Protection Act 2010, would quickly reveal whether a credit provider had:

- Charged more than what is "reasonable" for enforcement expenses; and/or
- Added any surcharges onto amounts paid to third parties.

This would lead to:

- Prosecution for offences already in the National Credit Code; and
- A reassessment of the credit provider as fit and proper to hold its licence.

Option 1 is unworkable. It would lead to potential offences in otherwise compliant situations and is unnecessary to address the remote possibility of avoidance using contingency fees and charges.

6. **Option 2**

This Option still presents the problem of inadvertent breach and the added administrative expense of calculating in all "cost of credit" which incurs "at any time." However, if it could be put into operation with precision, it is more realistic than Option 1. As a matter of principle, the Federation is opposed to the levels of complexity already imposed by the Enhancement Bill and its accompanying formulas. However, if a workable distinction between ascertainable "cost of credit" fees and charges and those that are contingent or arise out of the actions of the consumer, this may be a possible solution. It may reduce the likelihood of inadvertent breach as a result of third party payments.

In that context, some of the charges that must, at a minimum, be included in the category "contingent" and not included in the cost of credit are:

- All enforcement expenses
- Costs of answering consumer requests for:

  - Extra statements
  - Copies of the Credit Assessment
  - Any extra copies of contract documents
- Any payments to third parties in relation to the credit contract or service.

Overall, however, the Federation questions whether the additional complexity presented by Option 2, with its attendant increase in compliance costs for credit providers, is justified by the minimal regulatory gain, particularly in the light of our argument (above) that the NCCP and the National Credit Code already provide mechanisms for policing the use of contingency fees and payments to third parties.

7. **Option 3**

As recognised in the Discussion Paper, all of the problems in Options 1 and 2 with defining those fees and charges to be included in the ACR calculation apply to this Option. Its only advantage is that it would require only a "one off" recalculation of the ACR at the end of the term of the loan or its early discharge rather than multiple recalculations upon the imposition of a new charge or change to the repayments or the term.

Of course it could result in credit providers who have collected reimbursement for costs incurred during the loan having to refund consumers after discharge because the ACR recalculation takes them over the cap. Refunds are always messy and the damage to the cash flow and certainty of contracts for credit providers would have profound implications for their costs of funds and overheads.

Further, what if, as discussed above, there are third party payments by the consumer which may or may not be apparent to the credit provider at the time they do the ACR recalculation on discharge. Does the consumer come back again sometime later and demand a further recalculation which may or may not lead to a refund? What time limits would be imposed on such reassessment and claims? Without further regulation, these could be actionable, at law, up to six (6) years after the discharge of the contract?

These, combined with all other problems with Options 1 and 2, make Option 3 unsustainable.

8. **Option 4**

As acknowledged in the Discussion Paper, the ongoing nature of continuing credit contracts makes the calculation of the ACR difficult and laden with assumptions and uncertainty. Attempting to further complicate the formula by adding a distinction between fees and charges that relate to the cost of credit and all other fees and charges would render it almost unworkable.

Failing to make that distinction, as discussed above, and imposing the ACR cap obligation "at any time" as proposed in section 31A(1) would make continuing credit contracts even more unworkable than fixed term fixed credit amount contracts.

9. **Conclusion**

The inclusion of section 31A(1) in the Enhancements Bill will make the administration of low value personal loans and similar products almost impossible and substantially reduce product flexibility and choice for consumers.

This will not be a good outcome for anyone.

Appendices

Appendix A – Email from Treasury Friday 14th October 2011

From: Sutcliffe, Ward [mailto:Ward.Sutcliffe@TREASURY.GOV.AU]
Sent: Friday, 14 October 2011 14:12
To: Stakeholders
Subject: RE: Update - Enhancements Bill [SEC=UNCLASSIFIED]

To: Stakeholders

The Exposure Draft of the *National Consumer Credit Protection Amendment (Enhancements) Bill 2011* included a prohibition in relation providing credit where the annual cost rate exceeds 48% at any time. The purpose of the prohibition was to address potential techniques for avoiding the annual cost rate.

That provision was not included in the Bill when it was introduced into the House of Representatives. It was considered that further consultation was desirable to consider whether the prohibition introduced practical difficulties where the annual cost rate was imposed over the life of the contract.

The attached paper seeks views on the implementation of the proposed Subsection 32A(2). Can you please provide your comments on the options proposed in the paper by Friday 28 October.

Regards

Ward Sutcliffe

Consumer Credit Unit

The Treasury, Langton Crescent, Parkes ACT 2600

phone: (02) 6263 3705

fax: (02) 6263 2770

email: joel.tu@treasury.gov.au

Appendix B – Treasury Discussion Paper : Maximum Annual Cost Rate

Introduction

The Exposure Draft of the *National Consumer Credit Protection Amendment (Enhancements) Bill 2011* included a prohibition in relation to a person being a credit provider under a credit contract where the annual cost rate exceeds 48% at any time. The provision was in subsection 32A(2):

32A Credit provider must not enter into a credit contract if the annual cost rate exceeds 48%

(1) A credit provider must not enter into a credit contract (other than a small amount credit contract) if the annual cost rate of the contract exceeds 48%.

Criminal penalty: 50 penalty units.

(2) A person must not be a credit provider under a credit contract (other than a small amount credit contract) if the annual cost rate of the contract exceeds 48% at any time.

Criminal penalty: 50 penalty units.

The purpose of subsection 32A(2) was to address potential techniques for avoiding the annual cost rate, including:

- the imposition, under the credit contract, of relatively high contingent fees that were in practice usually payable (particularly a deferred establishment fee);
- varying the interest rate or increasing fees and charges to exceed the 48% cap once the credit contract has been entered into; and
- the use of continuing credit contracts where costs were imposed in a way that differed from the assumptions specified in relation to this class of contracts.

Subsection 32A(2) was not included in the Bill when it was introduced into the House of Representatives. It was considered that further consultation was desirable to consider whether the prohibition introduced practical difficulties where the annual cost rate was imposed over the life of the contract.

While the same formula was used to calculate the annual cost rate for subsections 32A(1) and (2), subsection 32A(2) would in practice operate differently from subsection 32A(1):

- Subsection 32A(1) only included non-contingent fees that were known to be payable at the time the contract was entered into.
- Subsection 32A(2) includes contingent fees that became payable under the contract (for example, fees for providing statements or deferred establishment fees where the liability arises after the contract was entered into).

The primary concern was whether subsection 32A(2) would, in practice, require credit providers to check whether or not they exceeded the annual cost rate each time they charged a contingent fee or varied the interest rate.

Having considered the matter further Treasury's view is that:

- The formula used to calculate the annual cost rate averages the cost of the term of the contract, and therefore the impact of a new fee or charge will not usually be significant in itself.
- The formula allows a credit provider to determine the maximum amount they can charge before the contract is entered into, and therefore to ascertain a relative buffer of additional costs that they can charge.
- The impact of an individual fee or charge will be significant where the fee is relatively large compared to the amount of credit being provided (particularly therefore where the credit provider is arranging a credit contract for a relatively small amount).

Option 1 – retain existing provision

The existing provision could be retained. The effect of this would be that the annual cost rate could not be exceeded, capping the amount of contingent fees that could be charged, irrespective of the type of those fees.

It would not be necessary for most credit providers to check whether they exceeded the annual cost rate every time they charged a contingent fee or increased the annual percentage rate, as for most credit providers the total amount payable would be substantially below the annual cost rate.

This approach:

- would be simple to apply, as it would not require credit providers to operate two different formulas;
- would address current avoidance techniques; and
- would create the risk that some credit providers who charge significant contingent fees could exceed the annual cost rate

Option 2 – retain existing provision but apply a modified version of the formula

The existing provision could be retained, but the formula could apply in a modified way, by distinguishing between fees that relate to the cost of credit and those that relate to costs incurred by the credit provider for services. The prohibition in respect of the annual cost rate could not be exceeded would only apply in respect of fees that relate to the cost of credit. For example, under this approach, deferred establishment or early termination fees would be included in the annual cost rate, but charges for providing statements of account would not.

This approach:

- would depend on whether the distinction between fees and charges that relate to the cost of credit and all other fees and charges can be determined or defined with precision (with the risk that it may encourage artificial changes in fees, so that fees could be charged that are not covered by the definition developed to describe fees that relate to the cost of credit);
- would address current avoidance techniques; and
- would address the risk that some credit providers who charge significant contingent fees that do not relate to the cost of credit could exceed the annual cost rate inadvertently.

Option 3 – change the obligation so that it is an obligation not to have charged more than 48% by the time the contract is discharged.

The operation of the provision would be changed, so that it would only be an offence if the annual cost rate was exceeded when the contract was discharged – so that the credit provider would either have to reduce the final payment by the debtor or refund the difference.

This approach would still need to address the issue raised in Options 1 and 2, as to whether the definition of fees and charges for the purpose of calculating the annual cost rate included all fees and charges or only those that relate to the cost of credit.

This approach:

- would only require credit providers to determine whether the total amount charged exceeds the annual cost rate at the end of the contract;
- would address current avoidance techniques; and
- would create the risk of avoidance through contracts providing that the contract is not discharged even where the debtor has made all payments due under the contract.

Option 4 – application of the provision to continuing credit contracts

The application of the annual cost rate to continuing credit contracts creates different issues. The ongoing nature of these contracts and the uncertainty as to how consumers will use the credit provided or the timing and amount of repayments makes its application more complex.

Views are sought on whether the formula could still apply to determine the annual cost rate on the basis of the fees and interest charged under the contract, including whether a distinction can be made between fees and charges that relate to the cost of credit and all other fees and charges.

Appendix 2

Analysis of Protected Earnings Amounts For Low Income Earners

by

Geoff Morley

Consulting Actuary

Bendzulla Actuarial Pty Ltd

Reception: 1800 642 215

Direct Line: 03 6223 1445

Fax: 1800 103 123

E: geoff@bendzulla.com

W: www.bendzulla.com

Mr Philip Johns
Chief Executive Officer
National Financial Services Federation
Suite 156, 192 Ann St
BRISBANE QLD 4020

Dear Phil,

Subject: Analysis of Protected Earnings Amounts For Low Income Earners

As requested, we are pleased to provide the attached document, providing some brief comments on how the concept of protected earnings might be applied to low income earners taking out small amount credit contracts.

The document has been divided into the following sections, for ease of reference:

1. Summary
2. Background and assumptions
3. Illustrations of the protected earnings model
4. Comments on the protected earnings model

If you have any queries regarding this report please do not hesitate to contact us.

Yours sincerely,

Geoff Morley
Consulting Actuary
Bendzulla Actuarial Pty Ltd
Reception: 1800 642 215
Direct Line: 03 6223 1445
Fax: 1800 103 123
E: geoff@bendzulla.com
W: www.bendzulla.com

1. Summary

This report illustrates how the protected earnings amount concept could be applied in practice to small amount credit contracts.

In particular, we have provided examples of a range of possible small loans, for between $100 and $2,000, repayable over periods ranging from 1 week to 52 weeks, under a number of different scenarios.

The scenarios assume that the maximum possible repayment will be restricted, based on a specified percentage of the borrower's earnings being "protected". That is, the protected percentage of earnings cannot be used to meet repayments on a small amount credit contract.

The scenarios illustrated also assume total fees and interest are capped.

The particular scenarios we have considered are summarised below:

Scenarios		Protected Earnings Amount			
		65%	70%	75%	80%
Capping Model	20/4	A1	A2	A3	A4
	25/4	B1	B2	B3	B4
	30/4	C1	C2	C3	C4

For convenience, we have denoted each different combination of a protected earnings amount and capping model a scenario reference, from A1 to C4.

For each scenario, we have developed a set of example loans, and for each loan we have calculated the *maximum* permitted level repayment.

In addition, for each of the example loans we have calculated the *minimum* income that a borrower would require in order to be able to take out a loan, assuming the specified protected earnings amount of the borrower's (net of tax) income applies. That is, the maximum repayment that could be charged is 100% of net income minus the protected amount.

The results of our calculations are shown in the tables A1 to C4, in Section 3.

The main conclusions we draw from those results are as follows:

- Imposing a protected earnings approach will typically require loans to be repaid more gradually, particularly for borrowers with lower incomes. This will limit the ability of lenders to require repayment over very short periods, and also limit the risk of borrowers coming under financial stress.

- For example, for a borrower earning $20,000 pa (gross of tax) and borrowing $500, if the protected earnings amount is 65% and a 20/4 cap applies, the minimum period of the loan would be 6 weeks (assuming the maximum fees and charges apply). The maximum weekly repayment for this loan would be $106.67 and the maximum total repayments would be $640.

- For larger loans, the minimum period would be longer; for smaller loans it is shorter.

- For loans to borrowers on smaller incomes, the minimum period would be longer.

- Some combinations of loan amounts and loan periods would not be possible (for a given borrower), because the repayment required would exceed the specified percentage of net income.

- Applying a protected earnings amount model in conjunction with a cap may help minimise the risk of a debt spiral developing for low income earners while still maintaining a competitive marketplace and choice for consumers.

- The proposal to restrict a borrower to a single small account credit contract at one time would be counter to the objective of promoting competition and choice. Borrowers may be locked in to a single loan and a single lender which no longer offers the most attractive terms to the consumer.

- Applying a threshold above which the protected earnings concept and capping rules *do not* apply will minimise the impact the model may place on consumer choices and the activities of a competitive marketplace. For example, the model could be applied only to borrowers working less than full time, or only to borrowers with earnings below a nominated dollar threshold.

2. Background and Assumptions

The analyses in this report are intended to illustrate some of the implications of applying a protected earnings model for low income earners in regulating small amount credit contracts.

The details of the models we have considered are summarised below.

Caps on fees and charges

The maximum a lender would be able to charge (including all interest, fees and charges ascertainable at the outset of the loan) would be:

- Either 20%, 25% or 30% of the principal; plus
- 4% of the principal for each month (or part thereof) for the period of the loan.

Example 1

So for example, the maximum the lender could charge, in addition to repayment of capital, on a $500 loan with a 20/4 cap that is repaid over one month would be $120 (= $500 x 20% + $500 x 4%), and the maximum total of all repayments (including repayment of principal, interest and other charges) would be $620. The lender would be able to charge less than these amounts if commercially viable.

Example 2

If however this loan was to be repaid over 5 weeks (ie. a period of slightly more than 1 month), then the maximum the lender could charge, in addition to repayment of capital, would be $140 (= $500 x 20% + $500 x 2 x 4%), and the total of all repayments (including repayment of principal, interest and other charges) would be $640. If the repayments were weekly, the maximum would then be $128 per week.

Protected Earnings

Our analysis for this report assumes that 65%, 70%, 75% or 80% of a borrower’s net earnings will be “protected”. That is, the maximum repayment that could be required by a small amount credit contract in each scenario would be 35%, 30%, 25% or 20% (respectively) of the borrower’s net of tax earnings.

So in example 2 discussed above, (where the maximum weekly repayment is $128), if the protected earnings amount is 65% then the minimum net weekly income of a borrower would be $366 (= 128 / 0.35). That is, a borrower with a net income less than $366 would not be able to take out a loan on those terms – they would need to have a longer repayment period, or borrow less, or the lender would need to reduce its charges. A weekly net income of $366 is equivalent to an annual gross income of $21,776.

3. Detailed Illustrations - Protected Earnings Amounts Scenarios

The detailed results of our analyses of each scenario (A1 to C4) are presented in the 12 tables on the following pages.

Each cell in each of the table shows two figures:

- Above, the *maximum* weekly repayment on the sample loan; and
- Below, the *minimum* earnings (annualised and gross of income tax) that a borrower would need to be earning and to be able to take out a loan on those terms.

So for example in scenario A1, on a loan of $300 repaid over 4 weeks with equal repayments, the maximum repayment amount would be $93 per week. The minimum permitted earnings of the borrower would be $15,526 pa gross. If the borrower's earnings were below this level, then the repayments would exceed 35% of net income.

To provide some context for these results, we have also compared the results to the current rate of the full age pension ($18,140 pa for a single person, excluding the pension supplement) and the current rate of unemployment benefit ($12,776 pa for a single person without dependants). The boxes highlighted in blue are those where the minimum income required exceeds the age pension; those highlighted in green are those where the minimum income is between the age pension and the unemployment benefit. Therefore to access loan amounts with terms indicated by the blue cells a borrower would need an income in excess of the age pension. To access loan amounts with terms indicated by the green cells a borrower would need an income in excess of the unemployment benefit. Generally borrowers need a higher net income to access loans closer to the bottom and left of the tables; borrowers with lower net incomes would more easily be able to access loans towards the top and right of the tables.

The minimum income calculations are based on the 2011/12 tax brackets and include allowance for the Medicare levy. They exclude any other adjustments that may apply in some circumstances.

Finally, note that the gross annual income amounts in the tables below have been capped at $300,000 pa. That is, if the calculated minimum income exceeded $300,000, we have presented the minimum as $300,000.

Scenario A1 – Protected Earnings Amount of 65% with a 20/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$124.00 $21,062	$62.00 $9,991	$41.33 $6,301	$31.00 $4,692	$25.60 $3,875	$21.33 $3,228	$18.29 $2,768	$16.00 $2,421	$14.67 $2,220	$13.20 $1,997	$12.00 $1,816	$11.00 $1,664	$10.15 $1,536	$7.78 $1,177	$6.00 $908	$5.54 $838	$4.00 $605	$3.23 $489
200	$248.00 $44,559	$124.00 $21,062	$82.67 $13,682	$62.00 $9,991	$51.20 $8,063	$42.67 $6,540	$36.57 $5,535	$32.00 $4,843	$29.33 $4,439	$26.40 $3,995	$24.00 $3,632	$22.00 $3,329	$20.31 $3,074	$15.56 $2,355	$12.00 $1,816	$11.08 $1,677	$8.00 $1,211	$6.46 $977
300	$372.00 $71,547	$186.00 $32,131	$124.00 $21,062	$93.00 $15,526	$76.80 $12,634	$64.00 $10,348	$54.86 $8,717	$48.00 $7,492	$44.00 $6,778	$39.60 $5,993	$36.00 $5,448	$33.00 $4,994	$30.46 $4,610	$23.33 $3,530	$18.00 $2,724	$16.62 $2,515	$12.00 $1,816	$9.69 $1,467
400	$496.00 $100,645	$248.00 $44,559	$165.33 $28,440	$124.00 $21,062	$102.40 $17,204	$85.33 $14,156	$73.14 $11,980	$64.00 $10,348	$58.67 $9,397	$52.80 $8,349	$48.00 $7,492	$44.00 $6,778	$40.62 $6,174	$31.11 $4,708	$24.00 $3,632	$22.15 $3,352	$16.00 $2,421	$12.92 $1,955
500	$620.00 $130,704	$310.00 $58,054	$206.67 $35,822	$155.00 $26,596	$128.00 $21,776	$106.67 $17,967	$91.43 $15,246	$80.00 $13,205	$73.33 $12,014	$66.00 $10,706	$60.00 $9,634	$55.00 $8,742	$50.77 $7,986	$38.89 $5,886	$30.00 $4,541	$27.69 $4,190	$20.00 $3,027	$16.15 $2,444
600	$744.00 $160,764	$372.00 $71,547	$248.00 $44,559	$186.00 $32,131	$153.60 $26,347	$128.00 $21,776	$109.71 $18,510	$96.00 $16,062	$88.00 $14,634	$79.20 $13,063	$72.00 $11,777	$66.00 $10,706	$60.92 $9,798	$46.67 $7,255	$36.00 $5,448	$33.23 $5,029	$24.00 $3,632	$19.38 $2,932
800	$992.00 $226,996	$496.00 $100,645	$330.67 $62,551	$248.00 $44,559	$204.80 $35,488	$170.67 $29,394	$146.29 $25,041	$128.00 $21,776	$117.33 $19,870	$105.60 $17,776	$96.00 $16,062	$88.00 $14,634	$81.23 $13,425	$62.22 $10,031	$48.00 $7,492	$44.31 $6,833	$32.00 $4,843	$25.85 $3,912
1000	1,240.00 $296,104	$620.00 $130,704	$413.33 $80,604	$310.00 $58,054	$256.00 $46,300	$213.33 $37,013	$182.86 $31,571	$160.00 $27,489	$146.67 $25,108	$132.00 $22,489	$120.00 $20,347	$110.00 $18,561	$101.54 $17,051	$77.78 $12,809	$60.00 $9,634	$55.38 $8,809	$40.00 $6,063	$32.31 $4,890
1200	$1,488.00 $300,000	$744.00 $160,764	$496.00 $100,645	$372.00 $71,547	$307.20 $57,443	$256.00 $46,300	$219.43 $38,341	$192.00 $33,202	$176.00 $30,346	$158.40 $27,203	$144.00 $24,632	$132.00 $22,489	$121.85 $20,677	$93.33 $15,585	$72.00 $11,777	$66.46 $10,788	$48.00 $7,492	$38.77 $5,868
1400	$1,736.00 $300,000	$868.00 $192,441	$578.67 $120,684	$434.00 $85,614	$358.40 $68,586	$298.67 $55,586	$256.00 $46,300	$224.00 $39,335	$205.33 $35,583	$184.80 $31,917	$168.00 $28,917	$154.00 $26,417	$142.15 $24,302	$108.89 $18,364	$84.00 $13,919	$77.54 $12,766	$56.00 $8,920	$45.23 $6,997
1500	$1,860.00 $300,000	$930.00 $209,719	$620.00 $130,704	$465.00 $93,130	$384.00 $74,159	$320.00 $60,229	$274.29 $50,281	$240.00 $42,818	$220.00 $38,465	$198.00 $34,274	$180.00 $31,059	$165.00 $28,382	$152.31 $26,116	$116.67 $19,753	$90.00 $14,991	$83.08 $13,755	$60.00 $9,634	$48.46 $7,574
1600	$1,984.00 $300,000	$992.00 $226,996	$661.33 $140,723	$496.00 $100,645	$409.60 $79,731	$341.33 $64,871	$292.57 $54,259	$256.00 $46,300	$234.67 $41,658	$211.20 $36,631	$192.00 $33,202	$176.00 $30,346	$162.46 $27,928	$124.44 $21,140	$96.00 $16,062	$88.62 $14,744	$64.00 $10,348	$51.69 $8,150
1800	$2,232.00 $300,000	$1,116.00 $261,551	$744.00 $160,764	$558.00 $115,674	$460.80 $92,112	$384.00 $74,159	$329.14 $62,218	$288.00 $53,265	$264.00 $48,042	$237.60 $42,296	$216.00 $37,595	$198.00 $34,274	$182.77 $31,554	$140.00 $23,918	$108.00 $18,204	$99.69 $16,720	$72.00 $11,777	$58.15 $9,304
2000	$2,480.00 $300,000	1,240.00 $296,104	$826.67 $180,925	$620.00 $130,704	$512.00 $104,523	$426.67 $83,837	$365.71 $70,178	$320.00 $60,229	$293.33 $54,424	$264.00 $48,042	$240.00 $42,818	$220.00 $38,465	$203.08 $35,180	$155.56 $26,697	$120.00 $20,347	$110.77 $18,699	$80.00 $13,205	$64.62 $10,459

Scenario A2 – Protected Earnings Amount of 70% with a 20/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$124.00 $24,752	$62.00 $11,837	$41.33 $7,531	$31.00 $5,474	$25.60 $4,520	$21.33 $3,766	$18.29 $3,229	$16.00 $2,825	$14.67 $2,590	$13.20 $2,330	$12.00 $2,118	$11.00 $1,942	$10.15 $1,791	$7.78 $1,373	$6.00 $1,059	$5.54 $978	$4.00 $706	$3.23 $570
200	$248.00 $53,554	$124.00 $24,752	$82.67 $16,142	$62.00 $11,837	$51.20 $9,586	$42.67 $7,810	$36.57 $6,540	$32.00 $5,650	$29.33 $5,178	$26.40 $4,661	$24.00 $4,237	$22.00 $3,885	$20.31 $3,586	$15.56 $2,747	$12.00 $2,118	$11.08 $1,956	$8.00 $1,412	$6.46 $1,141
300	$372.00 $85,614	$186.00 $37,813	$124.00 $24,752	$93.00 $18,294	$76.80 $14,919	$64.00 $12,253	$54.86 $10,349	$48.00 $8,920	$44.00 $8,087	$39.60 $7,171	$36.00 $6,421	$33.00 $5,827	$30.46 $5,378	$23.33 $4,119	$18.00 $3,178	$16.62 $2,935	$12.00 $2,118	$9.69 $1,710
400	$496.00 $120,684	$248.00 $53,554	$165.33 $33,360	$124.00 $24,752	$102.40 $20,252	$85.33 $16,697	$73.14 $14,156	$64.00 $12,253	$58.67 $11,143	$52.80 $9,920	$48.00 $8,920	$44.00 $8,087	$40.62 $7,383	$31.11 $5,493	$24.00 $4,237	$22.15 $3,911	$16.00 $2,825	$12.92 $2,281
500	$620.00 $155,754	$310.00 $69,297	$206.67 $43,061	$155.00 $31,209	$128.00 $25,584	$106.67 $21,141	$91.43 $17,967	$80.00 $15,586	$73.33 $14,197	$66.00 $12,670	$60.00 $11,420	$55.00 $10,378	$50.77 $9,498	$38.89 $7,022	$30.00 $5,297	$27.69 $4,889	$20.00 $3,531	$16.15 $2,851
600	$744.00 $192,441	$372.00 $85,614	$248.00 $53,554	$186.00 $37,813	$153.60 $30,917	$128.00 $25,584	$109.71 $21,774	$96.00 $18,919	$88.00 $17,252	$79.20 $15,420	$72.00 $13,919	$66.00 $12,670	$60.92 $11,611	$46.67 $8,643	$36.00 $6,421	$33.23 $5,868	$24.00 $4,237	$19.38 $3,422
800	$992.00 $273,069	$496.00 $120,684	$330.67 $74,547	$248.00 $53,554	$204.80 $42,586	$170.67 $34,473	$146.29 $29,395	$128.00 $25,584	$117.33 $23,362	$105.60 $20,918	$96.00 $18,919	$88.00 $17,252	$81.23 $15,843	$62.22 $11,882	$48.00 $8,920	$44.31 $8,152	$32.00 $5,650	$25.85 $4,564
1000	$1,240.00 $300,000	$620.00 $155,754	$413.33 $97,304	$310.00 $69,297	$256.00 $55,586	$213.33 $44,751	$182.86 $37,014	$160.00 $32,250	$146.67 $29,474	$132.00 $26,417	$120.00 $23,918	$110.00 $21,835	$101.54 $20,073	$77.78 $15,124	$60.00 $11,420	$55.38 $10,457	$40.00 $7,253	$32.31 $5,705
1200	$1,488.00 $300,000	$744.00 $192,441	$496.00 $120,684	$372.00 $85,614	$307.20 $68,586	$256.00 $55,586	$219.43 $46,300	$192.00 $39,335	$176.00 $35,583	$158.40 $31,917	$144.00 $28,917	$132.00 $26,417	$121.85 $24,304	$93.33 $18,362	$72.00 $13,919	$66.46 $12,766	$48.00 $8,920	$38.77 $6,997
1400	$1,736.00 $300,000	$868.00 $232,755	$578.67 $144,065	$434.00 $103,149	$358.40 $81,769	$298.67 $66,421	$256.00 $55,586	$224.00 $47,461	$205.33 $42,721	$184.80 $37,508	$168.00 $33,917	$154.00 $31,001	$142.15 $28,532	$108.89 $21,604	$84.00 $16,419	$77.54 $15,074	$56.00 $10,586	$45.23 $8,343
1500	$1,860.00 $300,000	$930.00 $252,912	$620.00 $155,754	$465.00 $111,917	$384.00 $89,008	$320.00 $71,837	$274.29 $60,230	$240.00 $51,524	$220.00 $46,445	$198.00 $40,859	$180.00 $36,416	$165.00 $33,292	$152.31 $30,649	$116.67 $23,225	$90.00 $17,669	$83.08 $16,227	$60.00 $11,420	$48.46 $9,016
1600	$1,984.00 $300,000	$992.00 $273,069	$661.33 $167,442	$496.00 $120,684	$409.60 $96,248	$341.33 $77,254	$292.57 $64,872	$256.00 $55,586	$234.67 $50,170	$211.20 $44,211	$192.00 $39,335	$176.00 $35,583	$162.46 $32,762	$124.44 $24,843	$96.00 $18,919	$88.62 $17,382	$64.00 $12,253	$51.69 $9,689
1800	$2,232.00 $300,000	$1,116.00 $300,000	$744.00 $192,441	$558.00 $138,219	$460.80 $110,728	$384.00 $89,008	$329.14 $74,157	$288.00 $63,712	$264.00 $57,617	$237.60 $50,915	$216.00 $45,430	$198.00 $40,859	$182.77 $36,994	$140.00 $28,085	$108.00 $21,419	$99.69 $19,687	$72.00 $13,919	$58.15 $11,034
2000	$2,480.00 $300,000	$1,240.00 $300,000	$826.67 $219,317	$620.00 $155,754	$512.00 $125,209	$426.67 $101,076	$365.71 $83,835	$320.00 $71,837	$293.33 $65,065	$264.00 $57,617	$240.00 $51,524	$220.00 $46,445	$203.08 $42,148	$155.56 $31,325	$120.00 $23,918	$110.77 $21,996	$80.00 $15,586	$64.62 $12,383

Scenario A3 – Projected Earnings Amount of 75% with a 20/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$124.00 $29,917	$62.00 $14,420	$41.33 $9,252	$31.00 $6,670	$25.60 $5,424	$21.33 $4,519	$18.29 $3,875	$16.00 $3,390	$14.67 $3,108	$13.20 $2,796	$12.00 $2,543	$11.00 $2,330	$10.15 $2,151	$7.78 $1,648	$6.00 $1,271	$5.54 $1,173	$4.00 $847	$3.23 $684
200	$248.00 $66,150	$124.00 $29,917	$82.67 $19,586	$62.00 $14,420	$51.20 $11,719	$42.67 $9,588	$36.57 $8,063	$32.00 $6,920	$29.33 $6,253	$26.40 $5,593	$24.00 $5,085	$22.00 $4,661	$20.31 $4,303	$15.56 $3,297	$12.00 $2,543	$11.08 $2,348	$8.00 $1,695	$6.46 $1,368
300	$372.00 $106,656	$186.00 $47,258	$124.00 $29,917	$93.00 $22,168	$76.80 $18,119	$64.00 $14,919	$54.86 $12,634	$48.00 $10,920	$44.00 $9,920	$39.60 $8,820	$36.00 $7,920	$33.00 $7,171	$30.46 $6,536	$23.33 $4,943	$18.00 $3,814	$16.62 $3,521	$12.00 $2,543	$9.69 $2,052
400	$496.00 $148,739	$248.00 $66,150	$165.33 $40,960	$124.00 $29,917	$102.40 $24,518	$85.33 $20,251	$73.14 $17,204	$64.00 $14,919	$58.67 $13,588	$52.80 $12,119	$48.00 $10,920	$44.00 $9,920	$40.62 $9,075	$31.11 $6,698	$24.00 $5,085	$22.15 $4,693	$16.00 $3,390	$12.92 $2,738
500	$620.00 $192,441	$310.00 $85,614	$206.67 $53,556	$155.00 $37,813	$128.00 $30,917	$106.67 $25,585	$91.43 $21,776	$80.00 $18,919	$73.33 $17,251	$66.00 $15,420	$60.00 $13,919	$55.00 $12,670	$50.77 $11,613	$38.89 $8,643	$30.00 $6,421	$27.69 $5,867	$20.00 $4,237	$16.15 $3,422
600	$744.00 $240,818	$372.00 $106,656	$248.00 $66,150	$186.00 $47,258	$153.60 $37,385	$128.00 $30,917	$109.71 $26,346	$96.00 $22,918	$88.00 $20,918	$79.20 $18,719	$72.00 $16,919	$66.00 $15,420	$60.92 $14,149	$46.67 $10,588	$36.00 $7,920	$33.23 $7,228	$24.00 $5,085	$19.38 $4,106
800	$992.00 $300,000	$496.00 $148,739	$330.67 $92,629	$248.00 $66,150	$204.80 $52,986	$170.67 $42,586	$146.29 $35,489	$128.00 $30,917	$117.33 $28,250	$105.60 $25,318	$96.00 $22,918	$88.00 $20,918	$81.23 $19,226	$62.22 $14,475	$48.00 $10,920	$44.31 $9,997	$32.00 $6,920	$25.85 $5,477
1000	$1,240.00 $300,000	$620.00 $192,441	$413.33 $120,682	$310.00 $85,614	$256.00 $68,586	$213.33 $55,585	$182.86 $46,302	$160.00 $39,335	$146.67 $35,584	$132.00 $31,917	$120.00 $28,917	$110.00 $26,417	$101.54 $24,302	$77.78 $18,364	$60.00 $13,919	$55.38 $12,765	$40.00 $8,920	$32.31 $6,998
1200	$1,488.00 $300,000	$744.00 $240,818	$496.00 $148,739	$372.00 $106,656	$307.20 $84,665	$256.00 $68,586	$219.43 $57,443	$192.00 $49,086	$176.00 $44,211	$158.40 $38,848	$144.00 $34,917	$132.00 $31,917	$121.85 $29,380	$93.33 $22,251	$72.00 $16,919	$66.46 $15,535	$48.00 $10,920	$38.77 $8,613
1400	$1,736.00 $300,000	$868.00 $289,194	$578.67 $176,796	$434.00 $127,697	$358.40 $102,040	$298.67 $81,769	$256.00 $68,586	$224.00 $58,836	$205.33 $53,147	$184.80 $46,891	$168.00 $41,773	$154.00 $37,508	$142.15 $34,455	$108.89 $26,141	$84.00 $19,918	$77.54 $18,304	$56.00 $12,919	$45.23 $10,227
1500	$1,860.00 $300,000	$930.00 $300,000	$620.00 $192,441	$465.00 $138,219	$384.00 $110,728	$320.00 $89,008	$274.29 $74,160	$240.00 $63,712	$220.00 $57,617	$198.00 $50,915	$180.00 $45,430	$165.00 $40,859	$152.31 $36,994	$116.67 $28,085	$90.00 $21,419	$83.08 $19,688	$60.00 $13,919	$48.46 $11,035
1600	$1,984.00 $300,000	$992.00 $300,000	$661.33 $208,566	$496.00 $148,739	$409.60 $119,417	$341.33 $96,247	$292.57 $79,729	$256.00 $68,586	$234.67 $62,087	$211.20 $54,937	$192.00 $49,086	$176.00 $44,211	$162.46 $40,086	$124.44 $30,027	$96.00 $22,918	$88.62 $21,074	$64.00 $14,919	$51.69 $11,843
1800	$2,232.00 $300,000	$1,116.00 $300,000	$744.00 $240,818	$558.00 $169,782	$460.80 $136,793	$384.00 $110,728	$329.14 $92,110	$288.00 $78,337	$264.00 $71,024	$237.60 $62,981	$216.00 $56,400	$198.00 $50,915	$182.77 $46,274	$140.00 $33,917	$108.00 $25,918	$99.69 $23,840	$72.00 $16,919	$58.15 $13,457
2000	$2,480.00 $300,000	$1,240.00 $300,000	$826.67 $273,071	$620.00 $192,441	$512.00 $154,170	$426.67 $125,211	$365.71 $104,521	$320.00 $89,008	$293.33 $79,962	$264.00 $71,024	$240.00 $63,712	$220.00 $57,617	$203.08 $52,462	$155.56 $37,982	$120.00 $28,917	$110.77 $26,610	$80.00 $18,919	$64.62 $15,074

Scenario A4 – Projected Earnings Amount of 80% with a 20/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$124.00 $37,813	$62.00 $18,294	$41.33 $11,835	$31.00 $8,608	$25.60 $6,920	$21.33 $5,649	$18.29 $4,844	$16.00 $4,237	$14.67 $3,885	$13.20 $3,496	$12.00 $3,178	$11.00 $2,913	$10.15 $2,688	$7.78 $2,060	$6.00 $1,588	$5.54 $1,467	$4.00 $1,059	$3.23 $855
200	$248.00 $85,614	$124.00 $37,813	$82.67 $24,753	$62.00 $18,294	$51.20 $14,919	$42.67 $12,255	$36.57 $10,348	$32.00 $8,920	$29.33 $8,086	$26.40 $7,171	$24.00 $6,421	$22.00 $5,827	$20.31 $5,379	$15.56 $4,121	$12.00 $3,178	$11.08 $2,935	$8.00 $2,118	$6.46 $1,710
300	$372.00 $138,219	$186.00 $61,426	$124.00 $37,813	$93.00 $27,980	$76.80 $22,918	$64.00 $18,919	$54.86 $16,063	$48.00 $13,919	$44.00 $12,670	$39.60 $11,295	$36.00 $10,170	$33.00 $9,233	$30.46 $8,439	$23.33 $6,211	$18.00 $4,767	$16.62 $4,402	$12.00 $3,178	$9.69 $2,566
400	$496.00 $192,441	$248.00 $85,614	$165.33 $53,554	$124.00 $37,813	$102.40 $30,917	$85.33 $25,584	$73.14 $21,774	$64.00 $18,919	$58.67 $17,253	$52.80 $15,420	$48.00 $13,919	$44.00 $12,670	$40.62 $11,614	$31.11 $8,643	$24.00 $6,421	$22.15 $5,867	$16.00 $4,237	$12.92 $3,422
500	$620.00 $252,912	$310.00 $111,917	$206.67 $69,299	$155.00 $49,620	$128.00 $39,335	$106.67 $32,251	$91.43 $27,489	$80.00 $23,918	$73.33 $21,834	$66.00 $19,543	$60.00 $17,669	$55.00 $16,107	$50.77 $14,785	$38.89 $11,073	$30.00 $8,295	$27.69 $7,573	$20.00 $5,297	$16.15 $4,278
600	$744.00 $300,000	$372.00 $138,219	$248.00 $85,614	$186.00 $61,426	$153.60 $49,086	$128.00 $39,335	$109.71 $33,201	$96.00 $28,917	$88.00 $26,417	$79.20 $23,668	$72.00 $21,419	$66.00 $19,543	$60.92 $17,956	$46.67 $13,504	$36.00 $10,170	$33.23 $9,305	$24.00 $6,421	$19.38 $5,132
800	$992.00 $300,000	$496.00 $192,441	$330.67 $120,686	$248.00 $85,614	$204.80 $68,586	$170.67 $55,588	$146.29 $46,302	$128.00 $39,335	$117.33 $35,582	$105.60 $31,917	$96.00 $28,917	$88.00 $26,417	$81.23 $24,302	$62.22 $18,362	$48.00 $13,919	$44.31 $12,766	$32.00 $8,920	$25.85 $6,998
1000	$1,240.00 $300,000	$620.00 $252,912	$413.33 $155,752	$310.00 $111,917	$256.00 $89,008	$213.33 $71,836	$182.86 $60,230	$160.00 $51,524	$146.67 $46,446	$132.00 $40,859	$120.00 $36,416	$110.00 $33,292	$101.54 $30,649	$77.78 $23,225	$60.00 $17,669	$55.38 $16,226	$40.00 $11,420	$32.31 $9,017
1200	$1,488.00 $300,000	$744.00 $300,000	$496.00 $192,441	$372.00 $138,219	$307.20 $110,728	$256.00 $89,008	$219.43 $74,159	$192.00 $63,712	$176.00 $57,617	$158.40 $50,915	$144.00 $45,430	$132.00 $40,859	$121.85 $36,995	$93.33 $28,083	$72.00 $21,419	$66.46 $19,687	$48.00 $13,919	$38.77 $11,035
1400	$1,736.00 $300,000	$868.00 $300,000	$578.67 $232,757	$434.00 $164,521	$358.40 $132,450	$298.67 $107,110	$256.00 $89,008	$224.00 $75,900	$205.33 $68,789	$184.80 $60,969	$168.00 $54,570	$154.00 $49,239	$142.15 $44,725	$108.89 $32,944	$84.00 $25,168	$77.54 $23,149	$56.00 $16,419	$45.23 $13,055
1500	$1,860.00 $300,000	$930.00 $300,000	$620.00 $252,912	$465.00 $177,673	$384.00 $143,310	$320.00 $116,159	$274.29 $96,767	$240.00 $82,221	$220.00 $74,376	$198.00 $65,997	$180.00 $59,141	$165.00 $53,429	$152.31 $48,595	$116.67 $35,376	$90.00 $27,043	$83.08 $24,881	$60.00 $17,669	$48.46 $14,063
1600	$1,984.00 $300,000	$992.00 $300,000	$661.33 $273,067	$496.00 $192,441	$409.60 $154,170	$341.33 $125,208	$292.57 $104,523	$256.00 $89,008	$234.67 $79,963	$211.20 $71,024	$192.00 $63,712	$176.00 $57,617	$162.46 $52,461	$124.44 $37,979	$96.00 $28,917	$88.62 $26,611	$64.00 $18,919	$51.69 $15,073
1800	$2,232.00 $300,000	$1,116.00 $300,000	$744.00 $300,000	$558.00 $222,676	$460.80 $175,891	$384.00 $143,310	$329.14 $120,037	$288.00 $102,583	$264.00 $92,403	$237.60 $81,203	$216.00 $72,852	$198.00 $65,997	$182.77 $60,197	$140.00 $43,906	$108.00 $32,667	$99.69 $30,070	$72.00 $21,419	$58.15 $17,091
2000	$2,480.00 $300,000	$1,240.00 $300,000	$826.67 $300,000	$620.00 $252,912	$512.00 $200,244	$426.67 $161,411	$365.71 $135,551	$320.00 $116,159	$293.33 $104,845	$264.00 $92,403	$240.00 $82,221	$220.00 $74,376	$203.08 $67,932	$155.56 $49,833	$120.00 $36,416	$110.77 $33,532	$80.00 $23,918	$64.62 $19,112

Scenario B1 – Projected Earnings Amount of 65% with a 25/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$129.00 $21,954	$64.50 $10,438	$43.00 $6,600	$32.25 $4,881	$26.60 $4,026	$22.17 $3,355	$19.00 $2,876	$16.63 $2,516	$15.22 $2,303	$13.70 $2,073	$12.45 $1,884	$11.42 $1,728	$10.54 $1,594	$8.06 $1,220	$6.21 $940	$5.73 $867	$4.13 $625	$3.33 $503
200	$258.00 $46,735	$129.00 $21,954	$86.00 $14,276	$64.50 $10,438	$53.20 $8,420	$44.33 $6,837	$38.00 $5,751	$33.25 $5,032	$30.44 $4,607	$27.40 $4,147	$24.91 $3,770	$22.83 $3,455	$21.08 $3,190	$16.11 $2,438	$12.42 $1,880	$11.46 $1,735	$8.26 $1,249	$6.65 $1,006
300	$387.00 $74,811	$193.50 $33,470	$129.00 $21,954	$96.75 $16,196	$79.80 $13,170	$66.50 $10,795	$57.00 $9,099	$49.88 $7,827	$45.67 $7,076	$41.10 $6,259	$37.36 $5,654	$34.25 $5,183	$31.62 $4,785	$24.17 $3,657	$18.63 $2,819	$17.19 $2,602	$12.38 $1,874	$9.98 $1,510
400	$516.00 $105,492	$258.00 $46,735	$172.00 $29,632	$129.00 $21,954	$106.40 $17,919	$88.67 $14,753	$76.00 $12,492	$66.50 $10,795	$60.89 $9,794	$54.80 $8,706	$49.82 $7,816	$45.67 $7,076	$42.15 $6,447	$32.22 $4,877	$24.83 $3,758	$22.92 $3,469	$16.51 $2,498	$13.31 $2,014
500	$645.00 $136,764	$322.50 $60,773	$215.00 $37,376	$161.25 $27,712	$133.00 $22,668	$110.83 $18,710	$95.00 $15,883	$83.13 $13,764	$76.11 $12,511	$68.50 $11,152	$62.27 $10,040	$57.08 $9,113	$52.69 $8,329	$40.28 $6,113	$31.04 $4,698	$28.65 $4,336	$20.64 $3,123	$16.63 $2,516
600	$774.00 $168,035	$387.00 $74,811	$258.00 $46,735	$193.50 $33,470	$159.60 $27,417	$133.00 $22,668	$114.00 $19,276	$99.75 $16,731	$91.33 $15,228	$82.20 $13,598	$74.73 $12,264	$68.50 $11,152	$63.23 $10,211	$48.33 $7,550	$37.25 $5,637	$34.38 $5,204	$24.77 $3,749	$19.96 $3,021
800	$1,032.00 $238,142	$516.00 $105,492	$344.00 $65,452	$258.00 $46,735	$212.80 $36,916	$177.33 $30,583	$152.00 $26,061	$133.00 $22,668	$121.78 $20,665	$109.60 $18,491	$99.64 $16,712	$91.33 $15,228	$84.31 $13,974	$64.44 $10,427	$49.67 $7,790	$45.85 $7,108	$33.03 $4,998	$26.62 $4,029
1000	$1,290.00 $300,000	$645.00 $136,764	$430.00 $84,645	$322.50 $60,773	$266.00 $48,477	$221.67 $38,829	$190.00 $32,845	$166.25 $28,605	$152.22 $26,100	$137.00 $23,383	$124.55 $21,160	$114.17 $19,306	$105.38 $17,737	$80.56 $13,305	$62.08 $10,005	$57.31 $9,154	$41.28 $6,292	$33.27 $5,035
1200	$1,548.00 $300,000	$774.00 $168,035	$516.00 $105,492	$387.00 $74,811	$319.20 $60,055	$266.00 $48,477	$228.00 $40,207	$199.50 $34,542	$182.67 $31,536	$164.40 $28,275	$149.45 $25,605	$137.00 $23,383	$126.46 $21,500	$96.67 $16,182	$74.50 $12,223	$68.77 $11,201	$49.54 $7,767	$39.92 $6,050
1400	$1,806.00 $300,000	$903.00 $202,194	$602.00 $126,341	$451.50 $89,856	$372.40 $71,635	$310.33 $58,125	$266.00 $48,477	$232.75 $41,240	$213.11 $36,972	$191.80 $33,167	$174.36 $30,053	$159.83 $27,458	$147.54 $25,264	$112.78 $19,058	$86.92 $14,441	$80.23 $13,246	$57.79 $9,240	$46.58 $7,238
1500	$1,935.00 $300,000	$967.50 $220,168	$645.00 $136,764	$483.75 $97,674	$399.00 $77,423	$332.50 $62,950	$285.00 $52,611	$249.38 $44,859	$228.33 $40,278	$205.50 $35,613	$186.82 $32,277	$171.25 $29,498	$158.08 $27,146	$120.83 $20,495	$93.13 $15,549	$85.96 $14,269	$61.92 $9,977	$49.90 $7,831
1600	$2,064.00 $300,000	$1,032.00 $238,142	$688.00 $147,188	$516.00 $105,492	$425.60 $83,578	$354.67 $67,775	$304.00 $56,747	$266.00 $48,477	$243.56 $43,592	$219.20 $38,291	$199.27 $34,500	$182.67 $31,536	$168.62 $29,028	$128.89 $21,935	$99.33 $16,657	$91.69 $15,293	$66.05 $10,714	$53.23 $8,426
1800	$2,322.00 $300,000	1,161.00 $274,091	$774.00 $168,035	$580.50 $121,128	$478.80 $96,474	$399.00 $77,423	$342.00 $65,017	$299.25 $55,713	$274.00 $50,217	$246.60 $44,255	$224.18 $39,375	$205.50 $35,613	$189.69 $32,790	$145.00 $24,810	$111.75 $18,874	$103.15 $17,338	$74.31 $12,190	$59.88 $9,613
2000	$2,580.00 $300,000	$1,290.00 $300,000	$860.00 $190,213	$645.00 $136,764	$532.00 $109,372	$443.33 $87,876	$380.00 $73,289	$332.50 $62,950	$304.44 $56,843	$274.00 $50,217	$249.09 $44,797	$228.33 $40,278	$210.77 $36,554	$161.11 $27,687	$124.17 $21,092	$114.62 $19,386	$82.56 $13,663	$66.54 $10,802

Scenario B2 – Projected Earnings Amount of 70% with a 25/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$129.00 $25,792	$64.50 $12,358	$43.00 $7,879	$32.25 $5,694	$26.60 $4,697	$22.17 $3,914	$19.00 $3,355	$16.63 $2,937	$15.22 $2,687	$13.70 $2,419	$12.45 $2,197	$11.42 $2,016	$10.54 $1,860	$8.06 $1,423	$6.21 $1,096	$5.73 $1,012	$4.13 $728	$3.33 $587
200	$258.00 $56,094	$129.00 $25,792	$86.00 $16,835	$64.50 $12,358	$53.20 $10,003	$44.33 $8,155	$38.00 $6,837	$33.25 $5,871	$30.44 $5,375	$27.40 $4,838	$24.91 $4,398	$22.83 $4,031	$21.08 $3,722	$16.11 $2,844	$12.42 $2,192	$11.46 $2,023	$8.26 $1,458	$6.65 $1,174
300	$387.00 $89,856	$193.50 $39,716	$129.00 $25,792	$96.75 $19,075	$79.80 $15,544	$66.50 $12,774	$57.00 $10,795	$49.88 $9,312	$45.67 $8,435	$41.10 $7,483	$37.36 $6,704	$34.25 $6,056	$31.62 $5,583	$24.17 $4,268	$18.63 $3,289	$17.19 $3,035	$12.38 $2,185	$9.98 $1,762
400	$516.00 $126,341	$258.00 $56,094	$172.00 $34,750	$129.00 $25,792	$106.40 $21,086	$88.67 $17,392	$76.00 $14,753	$66.50 $12,774	$60.89 $11,605	$54.80 $10,337	$49.82 $9,299	$45.67 $8,435	$42.15 $7,701	$32.22 $5,689	$24.83 $4,384	$22.92 $4,047	$16.51 $2,915	$13.31 $2,350
500	$645.00 $162,824	$322.50 $72,472	$215.00 $45,176	$161.25 $32,511	$133.00 $26,626	$110.83 $22,008	$95.00 $18,711	$83.13 $16,238	$76.11 $14,776	$68.50 $13,190	$62.27 $11,893	$57.08 $10,811	$52.69 $9,898	$40.28 $7,312	$31.04 $5,481	$28.65 $5,058	$20.64 $3,644	$16.63 $2,937
600	$774.00 $202,194	$387.00 $89,856	$258.00 $56,094	$193.50 $39,716	$159.60 $32,167	$133.00 $26,626	$114.00 $22,668	$99.75 $19,700	$91.33 $17,946	$82.20 $16,044	$74.73 $14,488	$68.50 $13,190	$63.23 $12,093	$48.33 $8,989	$37.25 $6,681	$34.38 $6,083	$24.77 $4,373	$19.96 $3,524
800	$1,032.00 $286,072	$516.00 $126,341	$344.00 $77,931	$258.00 $56,094	$212.80 $44,617	$177.33 $35,861	$152.00 $30,584	$133.00 $26,626	$121.78 $24,289	$109.60 $21,752	$99.64 $19,677	$91.33 $17,946	$84.31 $16,483	$64.44 $12,344	$49.67 $9,268	$45.85 $8,473	$33.03 $5,832	$26.62 $4,700
1000	$1,290.00 $300,000	$645.00 $162,824	$430.00 $102,017	$322.50 $72,472	$266.00 $58,125	$221.67 $46,870	$190.00 $38,827	$166.25 $33,552	$152.22 $30,629	$137.00 $27,459	$124.55 $24,865	$114.17 $22,704	$105.38 $20,873	$80.56 $15,702	$62.08 $11,853	$57.31 $10,859	$41.28 $7,520	$33.27 $5,875
1200	$1,548.00 $300,000	$774.00 $202,194	$516.00 $126,341	$387.00 $89,856	$319.20 $71,635	$266.00 $58,125	$228.00 $48,477	$199.50 $41,240	$182.67 $36,972	$164.40 $33,167	$149.45 $30,052	$137.00 $27,459	$126.46 $25,264	$96.67 $19,058	$74.50 $14,440	$68.77 $13,246	$49.54 $9,241	$39.92 $7,237
1400	$1,806.00 $300,000	$903.00 $244,134	$602.00 $150,663	$451.50 $108,099	$372.40 $85,728	$310.33 $69,382	$266.00 $58,125	$232.75 $49,683	$213.11 $44,696	$191.80 $39,284	$174.36 $35,241	$159.83 $32,215	$147.54 $29,655	$112.78 $22,414	$86.92 $17,027	$80.23 $15,634	$57.79 $10,960	$46.58 $8,625
1500	$1,935.00 $300,000	$967.50 $265,104	$645.00 $162,824	$483.75 $117,219	$399.00 $93,250	$332.50 $75,011	$285.00 $62,950	$249.38 $53,905	$228.33 $48,560	$205.50 $42,763	$186.82 $38,020	$171.25 $34,594	$158.08 $31,850	$120.83 $24,091	$93.13 $18,320	$85.96 $16,827	$61.92 $11,820	$49.90 $9,316
1600	$2,064.00 $300,000	$1,032.00 $286,072	$688.00 $174,985	$516.00 $126,341	$425.60 $100,773	$354.67 $80,713	$304.00 $67,775	$266.00 $58,125	$243.56 $52,427	$219.20 $46,242	$199.27 $41,182	$182.67 $36,972	$168.62 $34,046	$128.89 $25,770	$99.33 $19,613	$91.69 $18,021	$66.05 $12,680	$53.23 $10,009
1800	$2,322.00 $300,000	$1,161.00 $300,000	$774.00 $202,194	$580.50 $144,582	$478.80 $115,819	$399.00 $93,250	$342.00 $77,423	$299.25 $66,569	$274.00 $60,157	$246.60 $53,200	$224.18 $47,506	$205.50 $42,763	$189.69 $38,748	$145.00 $29,125	$111.75 $22,200	$103.15 $20,408	$74.31 $14,401	$59.88 $11,395
2000	$2,580.00 $300,000	$1,290.00 $300,000	$860.00 $230,155	$645.00 $162,824	$532.00 $130,866	$443.33 $105,788	$380.00 $87,878	$332.50 $75,011	$304.44 $67,886	$274.00 $60,157	$249.09 $53,832	$228.33 $48,560	$210.77 $44,102	$161.11 $32,481	$124.17 $24,786	$114.62 $22,797	$82.56 $16,119	$66.54 $12,783

Scenario B3 – Projected Earnings Amount of 75% with a 25/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$129.00 $31,167	$64.50 $15,044	$43.00 $9,670	$32.25 $6,983	$26.60 $5,636	$22.17 $4,697	$19.00 $4,026	$16.63 $3,523	$15.22 $3,225	$13.70 $2,902	$12.45 $2,638	$11.42 $2,420	$10.54 $2,233	$8.06 $1,707	$6.21 $1,315	$5.73 $1,214	$4.13 $875	$3.33 $705
200	$258.00 $69,197	$129.00 $31,167	$86.00 $20,419	$64.50 $15,044	$53.20 $12,220	$44.33 $10,003	$38.00 $8,420	$33.25 $7,233	$30.44 $6,530	$27.40 $5,806	$24.91 $5,278	$22.83 $4,837	$21.08 $4,467	$16.11 $3,413	$12.42 $2,631	$11.46 $2,428	$8.26 $1,750	$6.65 $1,409
300	$387.00 $111,747	$193.50 $49,543	$129.00 $31,167	$96.75 $23,106	$79.80 $18,869	$66.50 $15,544	$57.00 $13,170	$49.88 $11,390	$45.67 $10,337	$41.10 $9,195	$37.36 $8,261	$34.25 $7,483	$31.62 $6,826	$24.17 $5,121	$18.63 $3,947	$17.19 $3,642	$12.38 $2,623	$9.98 $2,114
400	$516.00 $155,528	$258.00 $69,197	$172.00 $42,992	$129.00 $31,167	$106.40 $25,518	$88.67 $21,086	$76.00 $17,919	$66.50 $15,544	$60.89 $14,142	$54.80 $12,620	$49.82 $11,374	$45.67 $10,337	$42.15 $9,458	$32.22 $6,976	$24.83 $5,261	$22.92 $4,856	$16.51 $3,498	$13.31 $2,820
500	$645.00 $202,194	$322.50 $89,856	$215.00 $56,094	$161.25 $39,716	$133.00 $32,167	$110.83 $26,625	$95.00 $22,668	$83.13 $19,701	$76.11 $17,947	$68.50 $16,044	$62.27 $14,487	$57.08 $13,190	$52.69 $12,092	$40.28 $8,990	$31.04 $6,681	$28.65 $6,083	$20.64 $4,373	$16.63 $3,523
600	$774.00 $252,521	$387.00 $111,747	$258.00 $69,197	$193.50 $49,543	$159.60 $39,214	$133.00 $32,167	$114.00 $27,417	$99.75 $23,856	$91.33 $21,750	$82.20 $19,469	$74.73 $17,602	$68.50 $16,044	$63.23 $14,726	$48.33 $11,002	$37.25 $8,233	$34.38 $7,516	$24.77 $5,248	$19.96 $4,229
800	$1,032.00 $300,000	$516.00 $155,528	$344.00 $97,154	$258.00 $69,197	$212.80 $55,424	$177.33 $44,616	$152.00 $36,916	$133.00 $32,167	$121.78 $29,362	$109.60 $26,318	$99.64 $23,828	$91.33 $21,750	$84.31 $19,996	$64.44 $15,029	$49.67 $11,337	$45.85 $10,383	$33.03 $7,178	$26.62 $5,640
1000	$1,290.00 $300,000	$645.00 $202,194	$430.00 $126,341	$322.50 $89,856	$266.00 $71,635	$221.67 $58,127	$190.00 $48,477	$166.25 $41,240	$152.22 $36,971	$137.00 $33,167	$124.55 $30,055	$114.17 $27,461	$105.38 $25,263	$80.56 $19,058	$62.08 $14,439	$57.31 $13,247	$41.28 $9,240	$33.27 $7,238
1200	$1,548.00 $300,000	$774.00 $252,521	$516.00 $155,528	$387.00 $111,747	$319.20 $88,736	$266.00 $71,635	$228.00 $60,055	$199.50 $51,372	$182.67 $46,243	$164.40 $40,677	$149.45 $36,279	$137.00 $33,167	$126.46 $30,532	$96.67 $23,086	$74.50 $17,544	$68.77 $16,112	$49.54 $11,305	$39.92 $8,900
1400	$1,806.00 $300,000	$903.00 $300,000	$602.00 $185,418	$451.50 $133,637	$372.40 $106,791	$310.33 $85,726	$266.00 $71,635	$232.75 $61,503	$213.11 $55,518	$191.80 $49,024	$174.36 $43,710	$159.83 $39,284	$147.54 $35,802	$112.78 $27,112	$86.92 $20,649	$80.23 $18,977	$57.79 $13,367	$46.58 $10,565
1500	$1,935.00 $300,000	$967.50 $300,000	$645.00 $202,194	$483.75 $144,582	$399.00 $115,819	$332.50 $93,250	$285.00 $77,423	$249.38 $66,570	$228.33 $60,156	$205.50 $53,200	$186.82 $47,508	$171.25 $42,763	$158.08 $38,750	$120.83 $29,125	$93.13 $22,201	$85.96 $20,409	$61.92 $14,400	$49.90 $11,395
1600	$2,064.00 $300,000	$1,032.00 $300,000	$688.00 $218,970	$516.00 $155,528	$425.60 $124,847	$354.67 $100,775	$304.00 $83,578	$266.00 $71,635	$243.56 $64,797	$219.20 $57,373	$199.27 $51,302	$182.67 $46,243	$168.62 $41,962	$128.89 $31,140	$99.33 $23,750	$91.69 $21,841	$66.05 $15,432	$53.23 $12,227
1800	$2,322.00 $300,000	$1,161.00 $300,000	$774.00 $252,521	$580.50 $177,417	$478.80 $142,902	$399.00 $115,819	$342.00 $96,474	$299.25 $81,965	$274.00 $74,071	$246.60 $65,722	$224.18 $58,891	$205.50 $53,200	$189.69 $48,382	$145.00 $35,166	$111.75 $26,855	$103.15 $24,705	$74.31 $17,497	$59.88 $13,889
2000	$2,580.00 $300,000	$1,290.00 $300,000	$860.00 $286,072	$645.00 $202,194	$532.00 $160,957	$443.33 $130,865	$380.00 $109,372	$332.50 $93,250	$304.44 $83,728	$274.00 $74,071	$249.09 $66,481	$228.33 $60,156	$210.77 $54,805	$161.11 $39,674	$124.17 $29,960	$114.62 $27,572	$82.56 $19,559	$66.54 $15,554

Scenario B4 – Projected Earnings Amount of 80% with a 25/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$129.00 $39,716	$64.50 $19,075	$43.00 $12,358	$32.25 $8,998	$26.60 $7,233	$22.17 $5,872	$19.00 $5,032	$16.63 $4,405	$15.22 $4,031	$13.70 $3,628	$12.45 $3,297	$11.42 $3,024	$10.54 $2,791	$8.06 $2,135	$6.21 $1,644	$5.73 $1,517	$4.13 $1,094	$3.33 $882
200	$258.00 $89,856	$129.00 $39,716	$86.00 $25,792	$64.50 $19,075	$53.20 $15,544	$44.33 $12,773	$38.00 $10,795	$33.25 $9,311	$30.44 $8,433	$27.40 $7,483	$24.91 $6,705	$22.83 $6,055	$21.08 $5,583	$16.11 $4,267	$12.42 $3,289	$11.46 $3,035	$8.26 $2,187	$6.65 $1,761
300	$387.00 $144,582	$193.50 $64,283	$129.00 $39,716	$96.75 $29,152	$79.80 $23,856	$66.50 $19,700	$57.00 $16,731	$49.88 $14,507	$45.67 $13,191	$41.10 $11,764	$37.36 $10,595	$34.25 $9,623	$31.62 $8,802	$24.17 $6,474	$18.63 $4,935	$17.19 $4,553	$12.38 $3,279	$9.98 $2,643
400	$516.00 $202,194	$258.00 $89,856	$172.00 $56,094	$129.00 $39,716	$106.40 $32,167	$88.67 $26,627	$76.00 $22,668	$66.50 $19,700	$60.89 $17,947	$54.80 $16,044	$49.82 $14,488	$45.67 $13,191	$42.15 $12,092	$32.22 $8,989	$24.83 $6,680	$22.92 $6,083	$16.51 $4,372	$13.31 $3,525
500	$645.00 $265,104	$322.50 $117,219	$215.00 $72,472	$161.25 $52,000	$133.00 $41,240	$110.83 $33,552	$95.00 $28,605	$83.13 $24,897	$76.11 $22,702	$68.50 $20,325	$62.27 $18,378	$57.08 $16,756	$52.69 $15,385	$40.28 $11,507	$31.04 $8,620	$28.65 $7,874	$20.64 $5,467	$16.63 $4,405
600	$774.00 $300,000	$387.00 $144,582	$258.00 $89,856	$193.50 $64,283	$159.60 $51,372	$133.00 $41,240	$114.00 $34,542	$99.75 $30,089	$91.33 $27,458	$82.20 $24,605	$74.73 $22,271	$68.50 $20,325	$63.23 $18,679	$48.33 $14,022	$37.25 $10,561	$34.38 $9,664	$24.77 $6,661	$19.96 $5,287
800	$1,032.00 $300,000	$516.00 $202,194	$344.00 $126,341	$258.00 $89,856	$212.80 $71,635	$177.33 $58,124	$152.00 $48,477	$133.00 $41,240	$121.78 $36,972	$109.60 $33,167	$99.64 $30,055	$91.33 $27,458	$84.31 $25,264	$64.44 $19,056	$49.67 $14,441	$45.85 $13,247	$33.03 $9,243	$26.62 $7,239
1000	$1,290.00 $300,000	$645.00 $265,104	$430.00 $162,824	$322.50 $117,219	$266.00 $93,250	$221.67 $75,013	$190.00 $62,950	$166.25 $53,905	$152.22 $48,560	$137.00 $42,763	$124.55 $38,021	$114.17 $34,595	$105.38 $31,849	$80.56 $24,093	$62.08 $18,319	$57.31 $16,828	$41.28 $11,820	$33.27 $9,317
1200	$1,548.00 $300,000	$774.00 $300,000	$516.00 $202,194	$387.00 $144,582	$319.20 $115,819	$266.00 $93,250	$228.00 $77,423	$199.50 $66,569	$182.67 $60,159	$164.40 $53,200	$149.45 $47,506	$137.00 $42,763	$126.46 $38,748	$96.67 $29,126	$74.50 $22,200	$68.77 $20,409	$49.54 $14,401	$39.92 $11,395
1400	$1,806.00 $300,000	$903.00 $300,000	$602.00 $244,134	$451.50 $171,944	$372.40 $138,388	$310.33 $112,056	$266.00 $93,250	$232.75 $79,232	$213.11 $71,751	$191.80 $63,636	$174.36 $56,994	$159.83 $51,459	$147.54 $46,778	$112.78 $34,160	$86.92 $26,080	$80.23 $23,990	$57.79 $16,978	$46.58 $13,476
1500	$1,935.00 $300,000	$967.50 $300,000	$645.00 $265,104	$483.75 $186,467	$399.00 $149,673	$332.50 $121,461	$285.00 $101,312	$249.38 $86,200	$228.33 $77,548	$205.50 $68,854	$186.82 $61,738	$171.25 $55,808	$158.08 $50,792	$120.83 $36,676	$93.13 $28,021	$85.96 $25,780	$61.92 $18,269	$49.90 $14,513
1600	$2,064.00 $300,000	$1,032.00 $300,000	$688.00 $286,072	$516.00 $202,194	$425.60 $160,957	$354.67 $130,866	$304.00 $109,372	$266.00 $93,250	$243.56 $83,731	$219.20 $74,071	$199.27 $66,481	$182.67 $60,159	$168.62 $54,807	$128.89 $39,674	$99.33 $29,958	$91.69 $27,571	$66.05 $19,559	$53.23 $15,554
1800	$2,322.00 $300,000	$1,161.00 $300,000	$774.00 $300,000	$580.50 $233,648	$478.80 $184,054	$399.00 $149,673	$342.00 $125,492	$299.25 $107,356	$274.00 $96,645	$246.60 $85,021	$224.18 $75,969	$205.50 $68,854	$189.69 $62,832	$145.00 $45,811	$111.75 $33,839	$103.15 $31,152	$74.31 $22,140	$59.88 $17,632
2000	$2,580.00 $300,000	$1,290.00 $300,000	$860.00 $300,000	$645.00 $265,104	$532.00 $209,998	$443.33 $168,479	$380.00 $141,613	$332.50 $121,461	$304.44 $109,557	$274.00 $96,645	$249.09 $86,078	$228.33 $77,548	$210.77 $70,861	$161.11 $51,947	$124.17 $37,877	$114.62 $34,735	$82.56 $24,718	$66.54 $19,712

Scenario C1 – Projected Earnings Amount of 65% with a 30/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$134.00 $22,846	$67.00 $10,885	$44.67 $6,898	$33.50 $5,070	$27.60 $4,177	$23.00 $3,481	$19.71 $2,982	$17.25 $2,611	$15.78 $2,388	$14.20 $2,149	$12.91 $1,954	$11.83 $1,790	$10.92 $1,652	$8.33 $1,260	$6.42 $971	$5.92 $896	$4.26 $644	$3.42 $517
200	$268.00 $48,912	$134.00 $22,846	$89.33 $14,871	$67.00 $10,885	$55.20 $8,778	$46.00 $7,135	$39.43 $5,967	$34.50 $5,221	$31.56 $4,776	$28.40 $4,298	$25.82 $3,907	$23.67 $3,582	$21.85 $3,307	$16.67 $2,522	$12.83 $1,942	$11.85 $1,793	$8.51 $1,288	$6.85 $1,036
300	$402.00 $78,075	$201.00 $34,809	$134.00 $22,846	$100.50 $16,865	$82.80 $13,705	$69.00 $11,241	$59.14 $9,481	$51.75 $8,161	$47.33 $7,372	$42.60 $6,528	$38.73 $5,861	$35.50 $5,373	$32.77 $4,960	$25.00 $3,783	$19.25 $2,913	$17.77 $2,689	$12.77 $1,932	$10.27 $1,554
400	$536.00 $110,341	$268.00 $48,912	$178.67 $30,822	$134.00 $22,846	$110.40 $18,633	$92.00 $15,348	$78.86 $13,002	$69.00 $11,241	$63.11 $10,190	$56.80 $9,063	$51.64 $8,142	$47.33 $7,372	$43.69 $6,723	$33.33 $5,044	$25.67 $3,885	$23.69 $3,585	$17.03 $2,577	$13.69 $2,072
500	$670.00 $142,824	$335.00 $63,494	$223.33 $39,189	$167.50 $28,828	$138.00 $23,561	$115.00 $19,455	$98.57 $16,520	$86.25 $14,322	$78.89 $13,007	$71.00 $11,598	$64.55 $10,446	$59.17 $9,486	$54.62 $8,674	$41.67 $6,361	$32.08 $4,855	$29.62 $4,483	$21.28 $3,221	$17.12 $2,590
600	$804.00 $175,308	$402.00 $78,075	$268.00 $48,912	$201.00 $34,809	$165.60 $28,489	$138.00 $23,561	$118.29 $20,041	$103.50 $17,401	$94.67 $15,825	$85.20 $14,134	$77.45 $12,750	$71.00 $11,598	$65.54 $10,623	$50.00 $7,849	$38.50 $5,827	$35.54 $5,379	$25.54 $3,865	$20.54 $3,108
800	$1,072.00 $249,289	$536.00 $110,341	$357.33 $68,354	$268.00 $48,912	$220.80 $38,639	$184.00 $31,774	$157.71 $27,080	$138.00 $23,561	$126.22 $21,458	$113.60 $19,204	$103.27 $17,360	$94.67 $15,825	$87.38 $14,523	$66.67 $10,826	$51.33 $8,087	$47.38 $7,382	$34.05 $5,153	$27.38 $4,144
1000	$1,340.00 $300,000	$670.00 $142,824	$446.67 $88,686	$335.00 $63,494	$276.00 $50,654	$230.00 $40,642	$197.14 $34,120	$172.50 $29,720	$157.78 $27,093	$142.00 $24,275	$129.09 $21,970	$118.33 $20,049	$109.23 $18,425	$83.33 $13,800	$64.17 $10,379	$59.23 $9,497	$42.56 $6,520	$34.23 $5,180
1200	$1,608.00 $300,000	$804.00 $175,308	$536.00 $110,341	$402.00 $78,075	$331.20 $62,667	$276.00 $50,654	$236.57 $42,071	$207.00 $35,881	$189.33 $32,725	$170.40 $29,346	$154.91 $26,580	$142.00 $24,275	$131.08 $22,325	$100.00 $16,777	$77.00 $12,670	$71.08 $11,613	$51.08 $8,041	$41.08 $6,256
1400	$1,876.00 $300,000	$938.00 $211,947	$625.33 $131,996	$469.00 $94,099	$386.40 $74,681	$322.00 $60,665	$276.00 $50,654	$241.50 $43,144	$220.89 $38,659	$198.80 $34,416	$180.73 $31,190	$165.67 $28,501	$152.92 $26,225	$116.67 $19,753	$89.83 $14,960	$82.92 $13,726	$59.59 $9,561	$47.92 $7,477
1500	$2,010.00 $300,000	$1,005.00 $230,618	$670.00 $142,824	$502.50 $102,221	$414.00 $80,765	$345.00 $65,671	$295.71 $54,943	$258.75 $46,899	$236.67 $42,093	$213.00 $36,952	$193.64 $33,495	$177.50 $30,614	$163.85 $28,177	$125.00 $21,240	$96.25 $16,107	$88.85 $14,785	$63.85 $10,322	$51.35 $8,091
1600	$2,144.00 $300,000	$1,072.00 $249,289	$714.67 $153,653	$536.00 $110,341	$441.60 $87,456	$368.00 $70,677	$315.43 $59,235	$276.00 $50,654	$252.44 $45,525	$227.20 $40,032	$206.55 $35,801	$189.33 $32,725	$174.77 $30,126	$133.33 $22,728	$102.67 $17,253	$94.77 $15,843	$68.10 $11,081	$54.77 $8,700
1800	$2,412.00 $300,000	$1,206.00 $286,629	$804.00 $175,308	$603.00 $126,583	$496.80 $100,839	$414.00 $80,765	$354.86 $67,817	$310.50 $58,162	$284.00 $52,394	$255.60 $46,213	$232.36 $41,156	$213.00 $36,952	$196.62 $34,027	$150.00 $25,704	$115.50 $19,543	$106.62 $17,959	$76.62 $12,602	$61.62 $9,924
2000	$2,680.00 $300,000	$1,340.00 $300,000	$893.33 $199,500	$670.00 $142,824	$552.00 $114,219	$460.00 $91,917	$394.29 $76,398	$345.00 $65,671	$315.56 $59,262	$284.00 $52,394	$258.18 $46,775	$236.67 $42,093	$218.46 $38,129	$166.67 $28,680	$128.33 $21,834	$118.46 $20,073	$85.13 $14,122	$68.46 $11,144

Scenario C2 – Projected Earnings Amount of 70% with a 30/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$134.00 $26,834	$67.00 $12,879	$44.67 $8,227	$33.50 $5,915	$27.60 $4,874	$23.00 $4,060	$19.71 $3,480	$17.25 $3,045	$15.78 $2,786	$14.20 $2,507	$12.91 $2,279	$11.83 $2,089	$10.92 $1,927	$8.33 $1,471	$6.42 $1,134	$5.92 $1,045	$4.26 $752	$3.42 $604
200	$268.00 $58,633	$134.00 $26,834	$89.33 $17,529	$67.00 $12,879	$55.20 $10,420	$46.00 $8,504	$39.43 $7,135	$34.50 $6,108	$31.56 $5,572	$28.40 $5,015	$25.82 $4,559	$23.67 $4,179	$21.85 $3,857	$16.67 $2,943	$12.83 $2,265	$11.85 $2,092	$8.51 $1,502	$6.85 $1,209
300	$402.00 $94,099	$201.00 $41,621	$134.00 $26,834	$100.50 $19,856	$82.80 $16,170	$69.00 $13,294	$59.14 $11,240	$51.75 $9,701	$47.33 $8,780	$42.60 $7,796	$38.73 $6,989	$35.50 $6,317	$32.77 $5,786	$25.00 $4,414	$19.25 $3,398	$17.77 $3,138	$12.77 $2,254	$10.27 $1,813
400	$536.00 $131,996	$268.00 $58,633	$178.67 $36,140	$134.00 $26,834	$110.40 $21,918	$92.00 $18,086	$78.86 $15,348	$69.00 $13,294	$63.11 $12,068	$56.80 $10,753	$51.64 $9,679	$47.33 $8,780	$43.69 $8,022	$33.33 $5,885	$25.67 $4,532	$23.69 $4,182	$17.03 $3,007	$13.69 $2,417
500	$670.00 $169,894	$335.00 $75,646	$223.33 $47,291	$167.50 $33,813	$138.00 $27,668	$115.00 $22,876	$98.57 $19,455	$86.25 $16,888	$78.89 $15,355	$71.00 $13,711	$64.55 $12,367	$59.17 $11,247	$54.62 $10,299	$41.67 $7,602	$32.08 $5,664	$29.62 $5,230	$21.28 $3,757	$17.12 $3,023
600	$804.00 $211,947	$402.00 $94,099	$268.00 $58,633	$201.00 $41,621	$165.60 $33,416	$138.00 $27,668	$118.29 $23,562	$103.50 $20,481	$94.67 $18,641	$85.20 $16,669	$77.45 $15,055	$71.00 $13,711	$65.54 $12,574	$50.00 $9,337	$38.50 $6,941	$35.54 $6,325	$25.54 $4,509	$20.54 $3,627
800	$1,072.00 $299,078	$536.00 $131,996	$357.33 $81,466	$268.00 $58,633	$220.80 $46,648	$184.00 $37,305	$157.71 $31,773	$138.00 $27,668	$126.22 $25,214	$113.60 $22,585	$103.27 $20,433	$94.67 $18,641	$87.38 $17,123	$66.67 $12,809	$51.33 $9,614	$47.38 $8,791	$34.05 $6,014	$27.38 $4,834
1000	$1,340.00 $300,000	$670.00 $169,894	$446.67 $106,733	$335.00 $75,646	$276.00 $60,665	$230.00 $48,985	$197.14 $40,640	$172.50 $34,855	$157.78 $31,788	$142.00 $28,501	$129.09 $25,811	$118.33 $23,571	$109.23 $21,675	$83.33 $16,280	$64.17 $12,288	$59.23 $11,259	$42.56 $7,788	$34.23 $6,052
1200	$1,608.00 $300,000	$804.00 $211,947	$536.00 $131,996	$402.00 $94,099	$331.20 $74,681	$276.00 $60,665	$236.57 $50,652	$207.00 $43,144	$189.33 $38,658	$170.40 $34,416	$154.91 $31,190	$142.00 $28,501	$131.08 $26,226	$100.00 $19,752	$77.00 $14,961	$71.08 $13,728	$51.08 $9,562	$41.08 $7,479
1400	$1,876.00 $300,000	$938.00 $255,512	$625.33 $157,261	$469.00 $113,048	$386.40 $89,687	$322.00 $72,345	$276.00 $60,665	$241.50 $51,905	$220.89 $46,671	$198.80 $41,062	$180.73 $36,568	$165.67 $33,432	$152.92 $30,776	$116.67 $23,225	$89.83 $17,633	$82.92 $16,195	$59.59 $11,335	$47.92 $8,904
1500	$2,010.00 $300,000	$1,005.00 $277,295	$670.00 $169,894	$502.50 $122,523	$414.00 $97,492	$345.00 $78,185	$295.71 $65,670	$258.75 $56,284	$236.67 $50,678	$213.00 $44,668	$193.64 $39,751	$177.50 $35,895	$163.85 $33,052	$125.00 $24,960	$96.25 $18,971	$88.85 $17,429	$63.85 $12,222	$51.35 $9,617
1600	$2,144.00 $300,000	$1,072.00 $299,078	$714.67 $182,906	$536.00 $131,996	$441.60 $105,299	$368.00 $84,482	$315.43 $70,677	$276.00 $60,665	$252.44 $54,683	$227.20 $48,274	$206.55 $43,030	$189.33 $38,658	$174.77 $35,326	$133.33 $26,695	$102.67 $20,308	$94.77 $18,663	$68.10 $13,107	$54.77 $10,330
1800	$2,412.00 $300,000	$1,206.00 $300,000	$804.00 $211,947	$603.00 $150,946	$496.80 $120,910	$414.00 $97,492	$354.86 $80,767	$310.50 $69,424	$284.00 $62,696	$255.60 $55,484	$232.36 $49,583	$213.00 $44,668	$196.62 $40,509	$150.00 $30,167	$115.50 $22,980	$106.62 $21,131	$76.62 $14,882	$61.62 $11,758
2000	$2,680.00 $300,000	$1,340.00 $300,000	$893.33 $240,990	$670.00 $169,894	$552.00 $136,521	$460.00 $110,502	$394.29 $91,918	$345.00 $78,185	$315.56 $70,709	$284.00 $62,696	$258.18 $56,140	$236.67 $50,678	$218.46 $46,054	$166.67 $33,639	$128.33 $25,653	$118.46 $23,597	$85.13 $16,655	$68.46 $13,182

Scenario C3 – Projected Earnings Amount of 75% with a 30/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$134.00 $32,416	$67.00 $15,669	$44.67 $10,088	$33.50 $7,295	$27.60 $5,848	$23.00 $4,874	$19.71 $4,176	$17.25 $3,654	$15.78 $3,344	$14.20 $3,009	$12.91 $2,736	$11.83 $2,506	$10.92 $2,313	$8.33 $1,765	$6.42 $1,360	$5.92 $1,254	$4.26 $902	$3.42 $724
200	$268.00 $72,243	$134.00 $32,416	$89.33 $21,251	$67.00 $15,669	$55.20 $12,719	$46.00 $10,420	$39.43 $8,778	$34.50 $7,546	$31.56 $6,810	$28.40 $6,021	$25.82 $5,471	$23.67 $5,015	$21.85 $4,630	$16.67 $3,531	$12.83 $2,718	$11.85 $2,510	$8.51 $1,803	$6.85 $1,451
300	$402.00 $116,837	$201.00 $51,829	$134.00 $32,416	$100.50 $24,043	$82.80 $19,619	$69.00 $16,170	$59.14 $13,705	$51.75 $11,857	$47.33 $10,753	$42.60 $9,570	$38.73 $8,603	$35.50 $7,796	$32.77 $7,113	$25.00 $5,297	$19.25 $4,079	$17.77 $3,765	$12.77 $2,705	$10.27 $2,176
400	$536.00 $162,315	$268.00 $72,243	$178.67 $45,024	$134.00 $32,416	$110.40 $26,518	$92.00 $21,918	$78.86 $18,634	$69.00 $16,170	$63.11 $14,697	$56.80 $13,119	$51.64 $11,829	$47.33 $10,753	$43.69 $9,843	$33.33 $7,253	$25.67 $5,439	$23.69 $5,020	$17.03 $3,609	$13.69 $2,900
500	$670.00 $211,947	$335.00 $94,099	$223.33 $58,632	$167.50 $41,621	$138.00 $33,416	$115.00 $27,668	$98.57 $23,561	$86.25 $20,481	$78.89 $18,641	$71.00 $16,669	$64.55 $15,057	$59.17 $13,712	$54.62 $12,574	$41.67 $9,337	$32.08 $6,941	$29.62 $6,325	$21.28 $4,509	$17.12 $3,627
600	$804.00 $264,226	$402.00 $116,837	$268.00 $72,243	$201.00 $51,829	$165.60 $41,042	$138.00 $33,416	$118.29 $28,489	$103.50 $24,794	$94.67 $22,586	$85.20 $20,219	$77.45 $18,281	$71.00 $16,669	$65.54 $15,305	$50.00 $11,420	$38.50 $8,546	$35.54 $7,805	$25.54 $5,412	$20.54 $4,352
800	$1,072.00 $300,000	$536.00 $162,315	$357.33 $101,678	$268.00 $72,243	$220.80 $57,861	$184.00 $46,648	$157.71 $38,637	$138.00 $33,416	$126.22 $30,473	$113.60 $27,318	$103.27 $24,736	$94.67 $22,586	$87.38 $20,764	$66.67 $15,586	$51.33 $11,753	$47.38 $10,765	$34.05 $7,433	$27.38 $5,802
1000	$1,340.00 $300,000	$670.00 $211,947	$446.67 $131,998	$335.00 $94,099	$276.00 $74,681	$230.00 $60,665	$197.14 $50,652	$172.50 $43,144	$157.78 $38,659	$142.00 $34,416	$129.09 $31,190	$118.33 $28,500	$109.23 $26,225	$83.33 $19,752	$64.17 $14,962	$59.23 $13,726	$42.56 $9,560	$34.23 $7,477
1200	$1,608.00 $300,000	$804.00 $264,226	$536.00 $162,315	$402.00 $116,837	$331.20 $92,809	$276.00 $74,681	$236.57 $62,667	$207.00 $53,656	$189.33 $48,272	$170.40 $42,505	$154.91 $37,785	$142.00 $34,416	$131.08 $31,687	$100.00 $23,918	$77.00 $18,168	$71.08 $16,689	$51.08 $11,689	$41.08 $9,190
1400	$1,876.00 $300,000	$938.00 $300,000	$625.33 $194,521	$469.00 $139,577	$386.40 $111,543	$322.00 $89,687	$276.00 $74,681	$241.50 $64,169	$220.89 $57,889	$198.80 $51,159	$180.73 $45,652	$165.67 $41,064	$152.92 $37,178	$116.67 $28,085	$89.83 $21,376	$82.92 $19,649	$59.59 $13,817	$47.92 $10,900
1500	$2,010.00 $300,000	$1,005.00 $300,000	$670.00 $211,947	$502.50 $150,946	$414.00 $120,910	$345.00 $97,492	$295.71 $80,765	$258.75 $69,424	$236.67 $62,697	$213.00 $55,484	$193.64 $49,586	$177.50 $44,668	$163.85 $40,509	$125.00 $30,167	$96.25 $22,980	$88.85 $21,131	$63.85 $14,882	$51.35 $11,758
1600	$2,144.00 $300,000	$1,072.00 $300,000	$714.67 $229,375	$536.00 $162,315	$441.60 $130,278	$368.00 $105,299	$315.43 $87,458	$276.00 $74,681	$252.44 $67,502	$227.20 $59,811	$206.55 $53,519	$189.33 $48,272	$174.77 $43,836	$133.33 $32,250	$102.67 $24,585	$94.77 $22,610	$68.10 $15,944	$54.77 $12,613
1800	$2,412.00 $300,000	$1,206.00 $300,000	$804.00 $264,226	$603.00 $185,809	$496.80 $149,011	$414.00 $120,910	$354.86 $100,839	$310.50 $85,785	$284.00 $77,118	$255.60 $68,465	$232.36 $61,383	$213.00 $55,484	$196.62 $50,494	$150.00 $36,416	$115.50 $27,792	$106.62 $25,573	$76.62 $18,074	$61.62 $14,324
2000	$2,680.00 $300,000	$1,340.00 $300,000	$893.33 $299,076	$670.00 $211,947	$552.00 $167,744	$460.00 $136,521	$394.29 $114,221	$345.00 $97,492	$315.56 $87,502	$284.00 $77,118	$258.18 $69,251	$236.67 $62,697	$218.46 $57,148	$166.67 $41,367	$128.33 $31,000	$118.46 $28,532	$85.13 $20,201	$68.46 $16,034

Scenario C4 – Projected Earnings Amount of 80% with a 30/4 cap.

Amount of Loan	Term of Loan (weeks)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	18	24	26	39	52
100	$134.00 $41,621	$67.00 $19,856	$44.67 $12,879	$33.50 $9,389	$27.60 $7,546	$23.00 $6,108	$19.71 $5,220	$17.25 $4,569	$15.78 $4,179	$14.20 $3,761	$12.91 $3,419	$11.83 $3,132	$10.92 $2,892	$8.33 $2,206	$6.42 $1,700	$5.92 $1,568	$4.26 $1,127	$3.42 $905
200	$268.00 $94,099	$134.00 $41,621	$89.33 $26,833	$67.00 $19,856	$55.20 $16,170	$46.00 $13,294	$39.43 $11,241	$34.50 $9,701	$31.56 $8,783	$28.40 $7,796	$25.82 $6,989	$23.67 $6,318	$21.85 $5,787	$16.67 $4,415	$12.83 $3,397	$11.85 $3,139	$8.51 $2,253	$6.85 $1,814
300	$402.00 $150,946	$201.00 $67,140	$134.00 $41,621	$100.50 $30,323	$82.80 $24,794	$69.00 $20,481	$59.14 $17,401	$51.75 $15,092	$47.33 $13,710	$42.60 $12,232	$38.73 $11,023	$35.50 $10,014	$32.77 $9,161	$25.00 $6,734	$19.25 $5,098	$17.77 $4,706	$12.77 $3,382	$10.27 $2,719
400	$536.00 $211,947	$268.00 $94,099	$178.67 $58,635	$134.00 $41,621	$110.40 $33,416	$92.00 $27,668	$78.86 $23,562	$69.00 $20,481	$63.11 $18,640	$56.80 $16,669	$51.64 $15,057	$47.33 $13,710	$43.69 $12,573	$33.33 $9,336	$25.67 $6,942	$23.69 $6,324	$17.03 $4,510	$13.69 $3,626
500	$670.00 $277,295	$335.00 $122,523	$223.33 $75,645	$167.50 $54,381	$138.00 $43,144	$115.00 $34,855	$98.57 $29,720	$86.25 $25,871	$78.89 $23,571	$71.00 $21,106	$64.55 $19,091	$59.17 $17,409	$54.62 $15,988	$41.67 $11,942	$32.08 $8,946	$29.62 $8,177	$21.28 $5,636	$17.12 $4,535
600	$804.00 $300,000	$402.00 $150,946	$268.00 $94,099	$201.00 $67,140	$165.60 $53,656	$138.00 $43,144	$118.29 $35,882	$103.50 $31,261	$94.67 $28,501	$85.20 $25,543	$77.45 $23,122	$71.00 $21,106	$65.54 $19,400	$50.00 $14,544	$38.50 $10,952	$35.54 $10,026	$25.54 $6,901	$20.54 $5,440
800	$1,072.00 $300,000	$536.00 $211,947	$357.33 $131,995	$268.00 $94,099	$220.80 $74,681	$184.00 $60,665	$157.71 $50,652	$138.00 $43,144	$126.22 $38,658	$113.60 $34,416	$103.27 $31,189	$94.67 $28,501	$87.38 $26,223	$66.67 $19,753	$51.33 $14,960	$47.38 $13,725	$34.05 $9,561	$27.38 $7,476
1000	$1,340.00 $300,000	$670.00 $277,295	$446.67 $169,895	$335.00 $122,523	$276.00 $97,492	$230.00 $78,185	$197.14 $65,670	$172.50 $56,284	$157.78 $50,678	$142.00 $44,668	$129.09 $39,751	$118.33 $35,894	$109.23 $33,051	$83.33 $24,959	$64.17 $18,972	$59.23 $17,428	$42.56 $12,220	$34.23 $9,617
1200	$1,608.00 $300,000	$804.00 $300,000	$536.00 $211,947	$402.00 $150,946	$331.20 $120,910	$276.00 $97,492	$236.57 $80,765	$207.00 $69,424	$189.33 $62,694	$170.40 $55,484	$154.91 $49,585	$142.00 $44,668	$131.08 $40,509	$100.00 $30,167	$77.00 $22,980	$71.08 $21,131	$51.08 $14,882	$41.08 $11,758
1400	$1,876.00 $300,000	$938.00 $300,000	$625.33 $255,512	$469.00 $179,369	$386.40 $144,328	$322.00 $117,008	$276.00 $97,492	$241.50 $82,856	$220.89 $74,715	$198.80 $66,302	$180.73 $59,418	$165.67 $53,683	$152.92 $48,827	$116.67 $35,376	$89.83 $26,990	$82.92 $24,831	$59.59 $17,541	$47.92 $13,894
1500	$2,010.00 $300,000	$1,005.00 $300,000	$670.00 $277,295	$502.50 $195,611	$414.00 $156,037	$345.00 $126,765	$295.71 $105,855	$258.75 $90,175	$236.67 $80,808	$213.00 $71,710	$193.64 $64,337	$177.50 $58,189	$163.85 $52,989	$125.00 $38,194	$96.25 $28,996	$88.85 $26,683	$63.85 $18,871	$51.35 $14,966
1600	$2,144.00 $300,000	$1,072.00 $300,000	$714.67 $299,078	$536.00 $211,947	$441.60 $167,744	$368.00 $136,521	$315.43 $114,221	$276.00 $97,492	$252.44 $87,499	$227.20 $77,118	$206.55 $69,254	$189.33 $62,694	$174.77 $57,148	$133.33 $41,366	$102.67 $31,002	$94.77 $28,532	$68.10 $20,200	$54.77 $16,034
1800	$2,412.00 $300,000	$1,206.00 $300,000	$804.00 $300,000	$603.00 $244,622	$496.80 $192,831	$414.00 $156,037	$354.86 $130,947	$310.50 $112,128	$284.00 $100,887	$255.60 $88,839	$232.36 $79,084	$213.00 $71,710	$196.62 $65,471	$150.00 $47,715	$115.50 $35,010	$106.62 $32,235	$76.62 $22,862	$61.62 $18,176
2000	$2,680.00 $300,000	$1,340.00 $300,000	$893.33 $300,000	$670.00 $277,295	$552.00 $219,751	$460.00 $175,551	$394.29 $147,674	$345.00 $126,765	$315.56 $114,276	$284.00 $100,887	$258.18 $89,933	$236.67 $80,808	$218.46 $73,789	$166.67 $54,064	$128.33 $39,461	$118.46 $35,935	$85.13 $25,520	$68.46 $20,312

4. Comments on the protected earnings model

Repayment size and loan period

The key effect of the protected earnings model as considered in this report is to limit the size of the repayment that can be charged on a given loan to a specified percentage of the borrower's net income.

The protected earnings model does not impose a *direct* limit on the size of the loan, nor a direct limit on the term of the loan. However, it does restrict both of them *indirectly*. For the low income earners to whom the model is applied, the protected earnings approach will encourage lower cost and smaller loans, because (other things being equal) lower cost and smaller loans can be repaid with smaller repayments, which are more likely to be within the protected earnings limit. Similarly, loans for longer periods will be encouraged, because longer periods allow the repayments to be smaller. For a borrower with a given income, the effect of the protected earnings model is to prevent some combinations of shorter loan periods and larger loan amounts.

This is why the protected earnings model may be an effective means of minimising the risk of a debt spiral for low income earners, without undue restriction on choice and flexibility. It simply limits the maximum repayment permitted in each period. The other details of the loan arrangements (such as the duration, the size of the loan, the interest rate, other fees and charges, etc.) are subject to agreement between the borrower and the lender, promoting a wider range of choices that have more opportunity to meet the borrower's needs and an increased element of competition between lenders.

As noted above, the impact of a protected earnings approach and a fee capping arrangement will tend to reduce the size of loan repayments and extend the period of the loan. However, for many lenders there is a commercial preference for loans to be repaid relatively quickly. If loans are repaid quickly, the capital can then be used to support a new loan to another borrower. Under the capping structures considered here, generally loans with shorter periods will be most profitable. This commercial preference for shorter loan periods may mean that the minimum loan period implied by a combination of the protected earnings amount and the cap applied will also become the de facto maximum loan period. It may be that few loans are offered with longer periods than the minimum. This could be one additional feature of the arrangements that limits competition and consumer choices. To mitigate this risk, it may be helpful to only apply the protected earnings approach to borrowers within a known threshold – for example, just borrowers employed less than full time, or borrowers below a specified income level.

Disclosures

If a protected earnings approach was implemented, along with one of the caps assumed in the scenarios in Section 3 (or some variation thereof), this could also facilitate simple and meaningful disclosures to better inform consumers. For example, it would enable simple disclosures of the maximum permitted repayment amounts and/or the total repayments expected over the course of the loan.

Multiple Loans

We understand that one further proposal being considered in relation to small amount credit contracts is that borrowers would be prevented from taking out more than one such loan at a time or in quick succession. The intention of this proposal would be to provide a method of restricting the likelihood of a low income earner descending into a debt spiral. While in some instances such a restriction may assist borrowers, in many other instances it may harm borrowers.

For example, it could limit competition. Borrowers may be prevented from taking out a new loan on more favourable terms, and using the proceeds to pay off an existing loan early and in full. Similarly, borrowers who have a rational and valid need for additional funds, and the ability to meet the repayments, may be prevented from accessing a new loan from an alternative provider or from refinancing an existing loan with their current lender.

A better alternative may be to apply the proposed protected earnings model and the cap on the total of all of a borrower's small amount credit contract repayments. Such an approach would still provide a means of reducing the risk of a debt spiral for low income earners while facilitating effective competition and consumer choice.

The models considered

In this report, we have considered protected earnings amounts from 65% to 80%. We have examined this range because we have been advised that this is the range of possibilities likely to be considered by the relevant stakeholders. If requested, we would be pleased to consider and illustrate possibilities outside this range.

We have considered 20/4, 25/4 and 30/4 capping models. We have considered the 20/4 model because there is reference to this in certain of the discussion documents we have been provided with. The National Financial Services Federation (NFSF) has advised that in their view, the 20/4 model would be likely to very significantly restrict the availability of small amount credit contracts in the market, and that in fact most of their members would not be able to offer commercially viable small amount credit contracts at all. Therefore we have also considered the 25/4 and 30/4 models. The NFSF has indicated that a 25/4 model would still have a significant detrimental impact on the availability of small amount credit contracts in the market, but less so than a 20/4 model. The NFSF has indicated that most of their members would be able to continue offering loans on viable commercial terms if a 30/4 model was adopted.