

Bad Debt and Operational Cost

When handling bad debt, most lenders charge off the debt after collection attempts by both internal and external sources have been made.

Table 12: Method of Handling Defaulted Loans

Method of Handling Defaulted Loans	Total	Percent Total
Written off as Bad debt/Charged off	257	72%
Forwarded to external collections company, but ownership of debt retained	171	48%
Reported to Credit Bureaus	67	19%
Handled by corporate/internal council	32	9%
Handled by corporate/internal collections	13	4%
Small Claims Court	12	3%
Sold to collections agencies/no judgment	10	3%
Total	358	158%

*Total equals more than 100% due to multiple responses by lenders

Overall, lenders reported over \$129 million in bad debt. This included unpaid principal, unpaid loan fees and unpaid NSF fees. However due to several inconsistencies in reporting, where licensees with only one location reported losses in excess of \$1.6 million dollars, averages based on lender size are not conclusive.

Based on licensees' reports, the majority of losses are due to borrowers not paying back the Principal and Fees associated with loans.

Table 13 presents the total losses reported by licensees in the major categories reported.

Table 13: Total Losses Reported by Licensees Over Past 18 Months

Category	Reported Losses	Percent of Losses
Unpaid Loan Balances (Principal)	\$ 110,326,867.31	85%
Unpaid interest	\$ 14,098,209.17	11%
Unpaid NSF Fees	\$ 4,632,005.66	4%
Collection/court	\$ 221,085.00	0%
Bank Fees	\$ 19,985.00	0%
Other	\$ 13,001.00	0%
Total	\$ 129,311,153.14	100%