STATE OF ALABAMA
STATE BANKING DEPARTMENT

FAQs for the New Statewide Database for Deferred Presentment Providers

1. **When will Alabama's new statewide database go live?**

   The target go-live date for Alabama's new statewide database is August 10, 2015.

2. **Why is Veritec not signing up new clients before the go-live date?**

   Veritec's resources are focused on developing Alabama's new statewide database now. The new statewide database will be a *separate* system from Veritec's current regulatory system used by some Alabama licensees. There will be no migration of borrower transaction data from Veritec's current system to the new statewide system. Additionally, many of the required steps for Deferred Presentment (DP) licensees to adopt Veritec's existing regulatory database would be duplicated when they are required to prepare for the new statewide database. It would be needlessly confusing to begin using Veritec before the go-live date.

3. **What if I am already using a different regulatory database in Alabama?**

   All DP licensees must use the *same* statewide database as of the go-live date.

4. **Some DP licensees are already using Veritec's Alabama database. Will these licensees have a competitive advantage because their borrower transaction information is already on the Veritec database?**

   No. The new statewide database will be a separate system from Veritec's current regulatory system used in Alabama. All DP licensees must begin using the same statewide database as of the go-live date. Borrower transaction information for loans conducted, or rolled over, on or after the go-live date must be registered in the new statewide database as of the go-live date. All licensees will follow the same implementation process for the new statewide database; no licensee will have a competitive advantage – not even Veritec's current clients.

5. **When will I receive more information and training about how to use the new statewide database?**

   The State Banking Department (SBD) sent a memorandum out to all existing DP licensees in early June 2015 with more information. Thereafter, licensees will also receive a communication package from Veritec in mid-June 2015 with details about training and implementation for the new statewide database. Training will be conducted in a manner

that is accessible to all licensees in a timely manner prior to the go-live date.

6. **Can the new statewide database interface directly with our internal computer system?**

   Yes. Information about direct computer interface will be included in the communication package licensees receive from Veritec in June. Veritec will provide technical specifications for integration to existing licensees upon request at that time.

7. **What will be the database fee for use of the new statewide database? Can I charge this fee directly to a borrower?**

   The fee for licensee use of the new statewide database will be $0.62 (sixty-two cents) for each registered initial transaction and/or rollover transaction. This fee may not be charged to the borrower as an additional fee beyond what is allowed by the DP statute.

8. **Will I have to populate the new statewide database with historical loan information before going live?**

   No. Only transactions initially conducted, or rolled over, on or after the go-live date must be registered in the new statewide database. No DP loans made prior to the go-live date may be loaded into the new statewide database. Any licensee found to be manipulating the database by falsifying loan information may face fines up to $1,000 per transaction, and license suspension or revocation. The Department intends to vigorously pursue sanctions against any licensee found to have manipulated the database.

9. **What if a historical loan is rolled over after the go-live date? Do I have to submit information about the original loan?**

   A borrower's first loan with an agreement date on or after the go-live date, regardless of whether it is an initial loan or a roll over, will be recorded on the new statewide database by submitting a new loan request. No information concerning the original loan, having an agreement date prior to the go-live date, will be recorded on the new database. This does not mean that licensees may do two rollovers with that borrower. All licensees must follow the Act and may only rollover a borrower's loan one time, even if the database would allow for an additional rollover during the initial transition period. All licensees have a duty to maintain accurate records of all their DP transactions in their borrower account files.

10. **Will I be able to access the database if my internal system or internet connection is down?**

    Yes. Veritec will provide an alternative means of database access using an Interactive Voice Response System (IVR) for use when licensees otherwise do not have access. This IVR system will enable licensees to verify eligibility, open a new loan and close an existing loan. Additional information about this process will be provided during training.

11. How will a DP loan be closed on the new statewide database?

A transaction must be closed on the new statewide database when it has been paid in full. This includes when a payment is made in cash, or when a borrower's check is deposited, or when an ACH is submitted.

12. What if a check or ACH used to close a loan is returned unpaid?

The transaction can be reopened on the new statewide database when a check or ACH is returned unpaid. The statute allows for an NSF fee in this circumstance. Additional information about this process will be provided during training.

13. Why are licensees required to close a loan on submission of an ACH or check?

This is a state requirement to limit licensees' ability to hold borrowers hostage which can occur with the other approach of closing loans only once proof of clearing is established. Licensees are able to reopen the transaction if an ACH or Check is returned for Non-Sufficient Funds (NSF).

14. Are licensees allowed to charge an NSF fee to borrowers?

Alabama laws allow for returned check fees. However, these fees will not be tracked by the database.

15. What is the Advance Fee and what is the maximum that may be charged?

The advance fee represents the amount that can be charged the borrower for fees when a new loan is initiated. The advance fee may not exceed $17.50 per $100.00 of the advance amount (i.e. 17.5 percent of the advance amount of the loan).

16. If a loan is charged off due to borrower default, should the loan be closed on the database? If yes, what Payment Method should be selected?

Yes, uncollectible or forgiven loans may be closed with Payment Method of "Bad Debt."

17. If a loan is sold to a non-licensed lender third party should the loan be closed? If yes, what Payment Method should be selected?

Yes, the loan may be closed with Payment Method of "Bad Debt" if it is sold to a non-licensed third party. However, if the loan is sold to a different licensed lender, then the loan should be transferred to the new lender to be maintained through the remaining life of the loan.

18. What if a borrower wishes to rollover a historical loan after go-live and the borrower is not currently eligible for a new loan?

If a borrower is not eligible, the lender may allow the borrower additional time to satisfy the loan or could offer the borrower an extended payment plan (XPP). The lender's approach is at their discretion and would be documented external to the statewide database.

19. Are licensees allowed to offer an extended payment plan to borrowers if they are not eligible for a new loan as of August 10th?

Yes, the licensee may allow the borrower additional time to satisfy the loan or could offer the borrower an extended payment plan. The lender's approach is at their discretion and would be documented external to the state database.

20. If a loan is entered with an incorrect Advance Amount, Advance Fee, or Term, what should a licensee do to fix the issue?

The loan must be administratively closed and then historically added back to the database with the correct information. Note that historic loan entry is intended to allow the loan to be added on a date after the agreement date of the loan with the correct agreement date recorded in the database. Thus, corrections that are being made on the same day as the agreement date may be entered through the normal new loan process after the prior incorrect loan has been administratively closed. Loans made prior to the go-live date of August 10, 2015 may not be added into the database by the historical add option.

21. What should a licensee do if their software vendor is not certified to interface directly with the database by the required start date?

Licensees will be required to use the database for all licensed activity beginning August 10, 2015. If the licensee's software vendor is not certified to interface with the database, then the licensee should enter the transactions directly into the database using the freely available web browser interface at www.aldpp.com.

Please be advised that licensees may need to enter the borrower transactions into their system as well to maintain their current records. In these situations, it is highly recommended that licensees use the database to determine eligibility and record the loan *prior* to creating a transaction on their system in order to ensure compliance with the Alabama Deferred Presentment Services Act.

22. If a fraud warning is issued for a Social Security number, are licensees required to reject the deferred presentment transaction?

No, the Social Security validation is a free service that is provided as a tool to assist licensees with prevention of fraud. There may be instances when a warning is issued by the

database, but the SSN provided is valid (e.g., the database will issue a warning if the SSN has been issued within the last 5 years). The licensee should take further steps to verify the borrower identity in these cases. Licensees have the ability to continue with the transaction despite the warning provided.

23. Are licensees required to include the confirmation sheet for a new transaction in their file for the borrower? Also, are they required to write or print the Transaction ID on the contract?

No, licensees are no longer required to include a copy of the confirmation sheet for each transaction in the file for the borrower. Yes, they are required to write or print the Transaction ID on the contract.

24. Are licensees required to deposit the check or process ACH on the due date?

No, a licensee is not required to deposit a check or process ACH on the due date. They may hold the check or ACH, with or without a mutual agreement with the borrower.

25. Can XPP be more than 4 payments?

Yes.

26. Does a customer need to be physically present to initiate a either a New Transaction or a Continuous transaction?

Yes, a customer must be physically present to initiate any transaction, including a rollover or an extended payment plan (XPP), or New Transaction. No DP loans, including post-dated contracts, made prior to the go-live date may be loaded into the new statewide database. Veritec will be providing daily reports to the Department on licensee activity on the new statewide database beginning at 12:01 am on the Go Live date, and we will investigate any suspicious activity with a follow-up exam. Any licensee found to be manipulating the database by falsifying loan information may face fines up to $1,000 per transaction, and license suspension or revocation. The Department intends to vigorously pursue sanctions against any licensee found to have manipulated the database.

27. If a loan is sold to a 3rd party debt collector must it be closed at the time of sale?

Yes, the loan should be closed in the database at the time of sale as "Bad Debt."

28. If a transaction is part of a Bankruptcy when should it be closed?

The transaction should be closed in the database as "Bad Debt" upon receipt of a Discharge statement.

29. Can a licensee have more than one check (or other guaranteed instrument) to secure a loan? If so, what is the return check policy if only one of the instruments was returned?

Yes, a licensee can use more than one guarantee instrument for one transaction. If payment is returned, only one NSF fee may be charged, even if both checks are returned. If only one is returned, the licensee may renew the loan for the amount remaining or add the remainder amount through the historical loan option.

30. Do licensees have to maintain existing (prior to 8/10) transactions on their old database?

No, as long as payment histories are maintained accurately for each customer.

31. Do licensees have to have proof of SSN/Alien ID number in their file for the borrower?

Yes, licensees must have a reliable method of proof in the customer's file. Reliable methods include a social security card, pay stub, tax return, social security benefits letter, etc. The entire social security number or alien ID number must be visible.

32. Will licensees be cited if they purchased a loan with a wrong SSN from another licensee?

No, but licensees must verify a borrower's SSN when renewing or rewriting a loan purchased from another licensee. If the SSN or other information is incorrect, please update the customer's information before completing the transaction. If a large number of the purchased loans have incorrect SSN, please let the Department know.

33. What is the process to check eligibility (etc...) if the statewide database is down?

The Department will have a procedure for this contingency soon after the go-live date of August 10, 2015.

34. Can borrowers use a money order, in lieu of Cash or Debit card, to pay off transaction early (before the due date)?

Yes, a money order can be used to pay off a transaction before the due date. Please choose "Cash" as the payment method when closing the loan in the database.

35. Should the Rollover Transaction ID be added to the existing contract (along with the original Transaction ID) since there is no new contract? Will licensees still be required to put an "R" on the contract to denote a Rollover transaction?

Licensees will no longer be required to put an "R" on the contract. They should instead write or add the rollover's new transaction ID on the customer's contract.

36. Reopens at same location due to returned check or ACH. Does the SBD have any concerns if a licensee has made another loan to a borrower when their check or ACH for their previous loan was returned?

Yes, the Department will have concerns if a licensee has provided a loan to a customer before the check or ACH for their previous loan has cleared the bank. Licensee should have confirmation of payment from the bank before making another loan with that borrower, if the previous loan was not paid with cash or guaranteed funds.

37. Can licensees use the Adverse Action notification instead of the declined eligibility letter?

Licensees may choose which method they use to notify a customer of declined eligibility. Any notice should include the customer service number to Veritec so that a customer may contact the Veritec if they have questions. The number is 1-877-ADV-BAMA (1-877-238-2262). The same applies to declined eligibility for rollovers, as well.

38. What may borrowers or licensees do if they suspect information in the database is wrong?

After the Go Live date, if any customer has grounds to believe incorrect information has been entered into the new statewide database, then they should contact Veritec at 1-877-ADV-BAMA (1-877-238-2262). If the problem cannot be resolved, then they may submit a written complaint to the State Banking Department, using the form provided on our website at: http://banking.alabama.gov/complaint.aspx

39. If a borrower dies what should be done with their Open transaction(s)? All Open transactions for a deceased borrower must be Administratively Closed.

40. What must be done if an Open transaction is found to be fraudulent? Fraudulent loans should be Administratively Closed.

41. What if the borrower has paid off their loan but still owes just the NSF fee? The loan must be Closed as of the date the loan was paid.

42. What happens to a licensee's access to the database once their office is closed? Access to the statewide database becomes "restricted" once a DP license has been surrendered, cancelled or revoked. Restricted access means licensees will have the ability only to update or close existing loans; borrower eligibility cannot be checked, nor can new loans be opened. After 90 days, any remaining Open transactions will be administratively closed for licensees that no longer operate in Alabama.

Additional FAQs may be added as time goes on... *(Updated January 9, 2017)*