



## 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 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 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.

**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.

**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 to 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 written off due to the borrower defaulting on the loan, or due to bankruptcy, should the loan be closed on the database? If yes, what Payment Method should be selected? When should the loan be closed?**

Yes, the loan may be closed with Payment Method of Bad Debt. When a borrower defaults, the loan should be closed when the loan is written off by the lender. When a borrower enters bankruptcy, the loan should be closed upon receipt of a discharge statement.

**17. If a loan is sold to a "non-licensed" third-party debt collector 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. 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 10<sup>th</sup>?**

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.

**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](http://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?** No, licensees are no longer required to include a copy of the confirmation sheet for each transaction in the file for the borrower.

**24. Are licensees required to write or print the Transaction ID on the contract?**

Yes, they are required to write or print the Transaction ID on the contract.

**25. Are licensees required to deposit the guarantee instrument on due date if they made a mutual agreement to extend the loan (non-XPP) with the customer?**

No, a licensee may hold a guarantee instrument past the due date.

**26. Can XPP be more than 4 payments?**

Yes. The XPP must be a minimum of 4 payments

**27. Does a customer need to be present to initiate a continuous transaction?**

Yes, a customer must be present to initiate a continuous transaction, either a rollover or an extended payment play (XPP).

**28. 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 1 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.

**29. 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.

**30. 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.

**31. 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.

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

The Department will have a procedure in place for this contingency and provide further details after the go-live date of August 10, 2015.

*Additional FAQs may be added as time goes on...*

*(Updated July 24, 2015)*