



BEST PRACTICES

Consumer Service Alliance of Texas ("CSAT") Members follow these best practices for all credit service transactions:

FULL DISCLOSURE

A contract between a Member and the customer must fully outline the terms of the credit services provided by the Member including the cost of the services. To the extent required by the Federal Truth in Lending Act, Members agree to ensure that the cost of the services is disclosed both as a dollar amount in the finance charge and as a component of the annual percentage rate ("APR") for any loan that a customer obtains through the Member's credit services.

COMPLIANCE

Members will comply with all applicable laws and regulations including licensing by the Office of the Consumer Credit Commissioner and registration with the Texas Secretary of State.

TRUTHFUL ADVERTISING

Members will not advertise credit services in any false, misleading, or deceptive manner, and will promote only the responsible use of financial products and services.

ENCOURAGE CONSUMER RESPONSIBILITY

Members will implement procedures to inform consumers of the intended use of their credit service.

RIGHT TO RESCIND

Members will give customers the right to rescind, at no cost, credit service transactions on or before three calendar days after the date of the credit service transaction.

TRANSACTION LIMITS

The cash advance for a single payment deferred presentment transaction may not exceed 35% of a customer's gross monthly income. A scheduled payment on a multiple payment deferred presentment transaction may not exceed 25% of a customer's gross monthly income.

EXTENDED PAYMENT PLAN

An eligible customer may elect to repay a single payment deferred presentment transaction with an extended payment plan.

A customer is eligible for an extended payment plan from a Member:

- At least once every twelve months;
- If the transaction has been refinanced four times;
- If the plan was requested before the due date of the transaction; and
- If a written agreement is signed that describes the terms of the plan.

Under an extended payment plan:

- The Member may not charge the customer additional fees;
- The customer shall have at least four substantially equal payments to repay the amount owed;
- The customer may prepay the amount owed without penalty at any time;
- The Member may not obtain, or assist the customer in obtaining, additional credit; and
- Collection activities are prohibited if the customer continues to make timely payments under a plan.

NOTICE ABOUT EXTENDED PAYMENT PLAN

A Member must notify customers of their right to an extended payment plan by posting a notice in a conspicuous location visible to the general public in every location. This notice language will be presented in bold, conspicuous type in the transaction documents.

DECLINING PRINCIPAL BALANCE TRANSACTIONS

Multiple payment deferred presentment transactions shall be payable on a fully-amortizing, declining principal balance basis with substantially equal payments as agreed upon by the parties. If fees are pre-computed and the loan is prepaid in full, unearned fees shall be refunded to the customer.

NO CRIMINAL ACTION

Members will not threaten, or pursue, criminal action against a customer as a result of the customer's default on a credit service agreement.

ENFORCEMENT

Members will participate in self-policing the industry. A member will be expected to report violations of these Best Practices to CSAT, which will investigate the matter and take appropriate action.

MILITARY

To the extent that any Member does business with a Military "Covered Person" as defined by federal law, Members will comply with any federal and Texas laws on doing business with the military and related "Covered Persons."

INTERNET LENDING

Members that offer credit services to Texas consumers through the Internet must comply with the Texas Credit Services Organization statute and any other applicable laws and regulations applicable to the Member's business.

APPROPRIATE COLLECTION PRACTICES

Members must collect past due accounts in a professional, fair and lawful manner. Members will not use unlawful threats or intimidation to collect accounts. The collection limitations contained in the Texas and federal Fair Debt Collection Practices Acts (FDCPA) should guide a Member's practice in this area.

COMPLAINT HANDLING

Members will implement and maintain complaint handling procedures that include a timely review and response to customer complaints and concerns. Each member company agrees to maintain and post its own toll-free consumer hotline telephone number in each of its business locations. Members will also include the Office of the Consumer Credit Commissioner's consumer helpline in the transaction documents.

Display of the CSAT Membership Seal. Members shall prominently display the CSAT Membership Seal in all business locations to alert customers to the store's affiliation with the association and adherence to the association's Best Practices.

NOTICE REQUIREMENTS

Members shall post a copy of CSAT's Best Practices in all business locations in a visible and conspicuous location.

CONSUMER FINANCIAL LITERACY

Members will make consumer financial literacy materials available to consumers in all business locations in any form prescribed by CSAT.

ADDENDUM

There is an addendum of additional Best Practices for any CSAT Member who takes a motor vehicle title as security for a credit service transaction.



MOTOR VEHICLE TITLE BEST PRACTICES

Any CSAT Member who takes a motor vehicle title as security for a credit service transaction also follows these additional Best Practices:

COLLATERAL

Members will specifically inform the customer that if the customer pledges a motor vehicle as collateral, the customer could lose the motor vehicle if the transaction is not fully repaid. This notice language will be presented in bold, conspicuous type in the loan documents. Alternatively, customers will be required to initial this provision in the loan documents or on a separate notice.

TRANSACTION LIMIT

The cash advance on a motor vehicle title loan may not exceed 70% of the retail value of the motor vehicle.

APPRAISAL STANDARDS

Members will utilize nationally and or regionally recognized auto appraisal standards in valuing a motor vehicle.

LOAN PRINCIPAL REDUCTION REQUIREMENTS AND FEE LIMITS

A customer must make a payment that reduces the principal balance of a single payment motor vehicle title loan by at least 5% every time the loan is refinanced. If a customer is unable to make the required payment, the loan may be refinanced, but the Member must calculate its fee as if the required payment had been made every time the loan is refinanced. The amount of the loan that remains unpaid continues to be due and owing from the customer, but can no longer accrue Member fees. Alternatively, if the customer is unable to make the required payment and the lender chooses not to refinance the loan, the loan shall be due and payable per its original terms.

DECLINING PRINCIPAL BALANCE TRANSACTIONS

Multiple payment motor vehicle title loans shall be payable on a fully-amortizing, declining principal balance basis with substantially equal payments as agreed upon by the parties. If fees are pre-computed and the loan is prepaid in full, unearned fees shall be refunded to the customer.

PROPER FILING OF LIENS

When perfecting a security interest in any motor vehicle title collateral, Members will comply with all laws and regulations regarding the pledge of a motor vehicle as collateral, including:

- The proper filing of liens with the Texas Department of Transportation through the appropriate county assessor-collector's office; and
- The statutory duties in Chapter 9 of the Texas Business and Commerce Code regarding the disposition of collateral.

NOTICE ABOUT RETURN OF MOTOR VEHICLE

Members will inform customers in writing they can get their vehicle back at any time after default/repossession and before a sale by paying the amount owed.

COMPLIANCE

Members will comply with the Texas Business and Commerce Code and other applicable law when collecting motor vehicle-secured accounts, including:

- **Commercially reasonable manner.**

Members will act in a commercially reasonable manner, without breaching the peace, in all aspects of the repossession and sale of the motor vehicle.

- **Written notice of opportunity to redeem motor vehicle.**

Members will give customers at least 15 days after repossession to redeem their motor vehicle prior to it being sold. Members will send a written notice to customers informing them how and when their motor vehicle will be sold and what customers need to pay to redeem their motor vehicle.

- **Reasonable expenses actually incurred.**

With respect to expenses related to collection, repossession, and sale of the motor vehicle, Members will only charge reasonable expenses actually incurred.

- **Timely release of title.**

Members will release the motor vehicle title to the customer in a timely manner when the loan is paid.

- **No personal liability.**

Customers have no personal liability for motor vehicle title loans, other than in instances of customer fraud or in the event the customer intentionally hides, impairs or destroys the collateral. Except in such instances, Members shall not pursue legal action against a customer for any amount owed under a motor vehicle title loan or for any deficiency balance.

- **Refund of surplus sales amount.**

Members will account for the proceeds of sale in a timely fashion, including refunding any surplus sales amount to the customer.

- **Telephone number for more information.**

Members shall provide a telephone number and address for customers to call, or write, to get more information about the sale of their motor vehicle.