CONNECTING THE DOTS

How Wall Street Brings Fringe Lending to Main Street

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IMPORTANT FINDINGS

Citing documents from the Securities and Exchange Commission, this paper finds evidence that banks have provided almost $5.5 billion in lines of credit and term loans to companies offering high-cost consumer finance products.

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Companies are able to borrow money at only a fraction of the rate that they subsequently charge to consumers. The weighted-average after-tax cost of capital among these lenders is 6.22 percent. In turn, these companies make loans of as high as 533 percent.

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Wells Fargo is the leading lender in this space. This research documents approximately $1.2 billion in loans made by Wells Fargo, its subsidiaries, and its acquired banks.

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Most lenders are regulated by the Office of the Comptroller of the Currency.

A slight majority of the capital utilized by these lenders is sourced from debt - either in the form of notes issued or money borrowed - and not from equity.

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Many executives from Wall Street's largest institutions now serve on the Boards of Directors of the high-cost consumer finance companies profiled in this report.

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POLICY RESPONSES

Many borrowers pledge receivables and all of their assets against their loans. In this cases, banks hold a lien on their business. In the event of default, banks would exercise their right to ownership. Banks should be prevented from making any secured loans to these firms.

Greater public awareness of how banks finance high-cost consumer finance lenders would harm the reputation of these banks. In making assessments of reputational risk, regulators should incorporate these loans into their judgments.

The OCC should force banks to divest from financing these companies in order to protect the reputations of their member insitutions.

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WHAT THEY SAY ABOUT WALL STREET

"We depend on loans and cash management services from banks to operate our business. If banks decide to stop making loans or providing cash management services to us, it could have a material adverse effect on our business, results of operations and financial condition."

(QC Holdings, 2013)

"Potential disruptions in the credit markets may negatively impact the availability and cost of shortterm borrowing under our senior secured credit facility, which could adversely affect our results of operations."

(National Money Mart – DFC Global, 2012)

"Inability to access the credit markets on acceptable terms, if at all, would have a materially adverse effect on the Company."

(First Cash Financial, 2013)

"We require continued access to capital. A significant reduction in cash flows from operations or the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results. We currently have a credit agreement with a syndicate of banks."

(EZCorp, 2013)

"A substantial portion of our liquidity needs may be funded from borrowings under our credit facility"…."Certain banks have notified us and other companies in the cash advance and check-cashing industries that they will no longer maintain bank accounts for these companies due to reputational risks and increased compliance costs of servicing money services businesses and other cash intensive industries. If one of our larger depository banks requests that we close our bank accounts or puts other restrictions on how we use their services, we could face higher costs of managing our cash and limitations on our ability to maintain or expand our business."

(Advance America, 2012)

"The Company generates cash from income from continuing operations. The cash is primarily used to fund finance receivables growth. To the extent finance receivables growth exceeds income from continuing operations, generally the Company increases its borrowings under its revolving credit facilities to provide the cash necessary to fund operations. On a long-term basis, the Company expects its principal sources of liquidity to consist of income from continuing operations and borrowings under revolving credit facilities and/or fixed interest term loans. Any adverse changes in the Company's ability to borrow under revolving credit facilities or fixed interest term loans, or any increase in the cost of such borrowings, would likely have a negative impact on the Company's ability to finance receivables growth which would adversely affect the Company's growth and business strategies."

(America's Car-Mart, 2013)

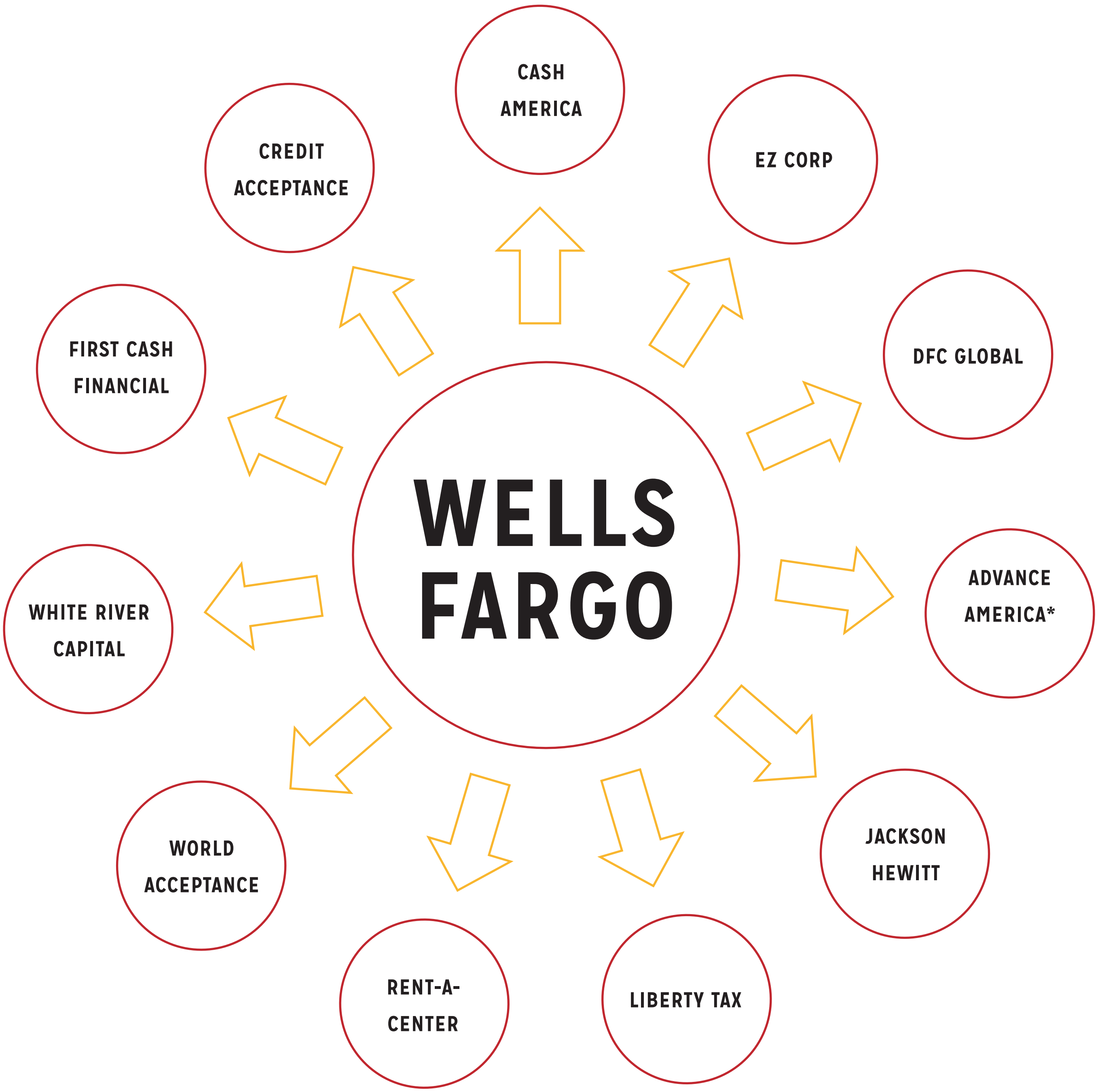
High cost lending can only existing with ample access to capital. Without exception, large consumer finance companies seek and receive letters of credit and term loans from large banks and investment banks. These funds allow these companies to cash flow their businesses. Without these sources, the scale of high-cost lending would shrink dramatically.

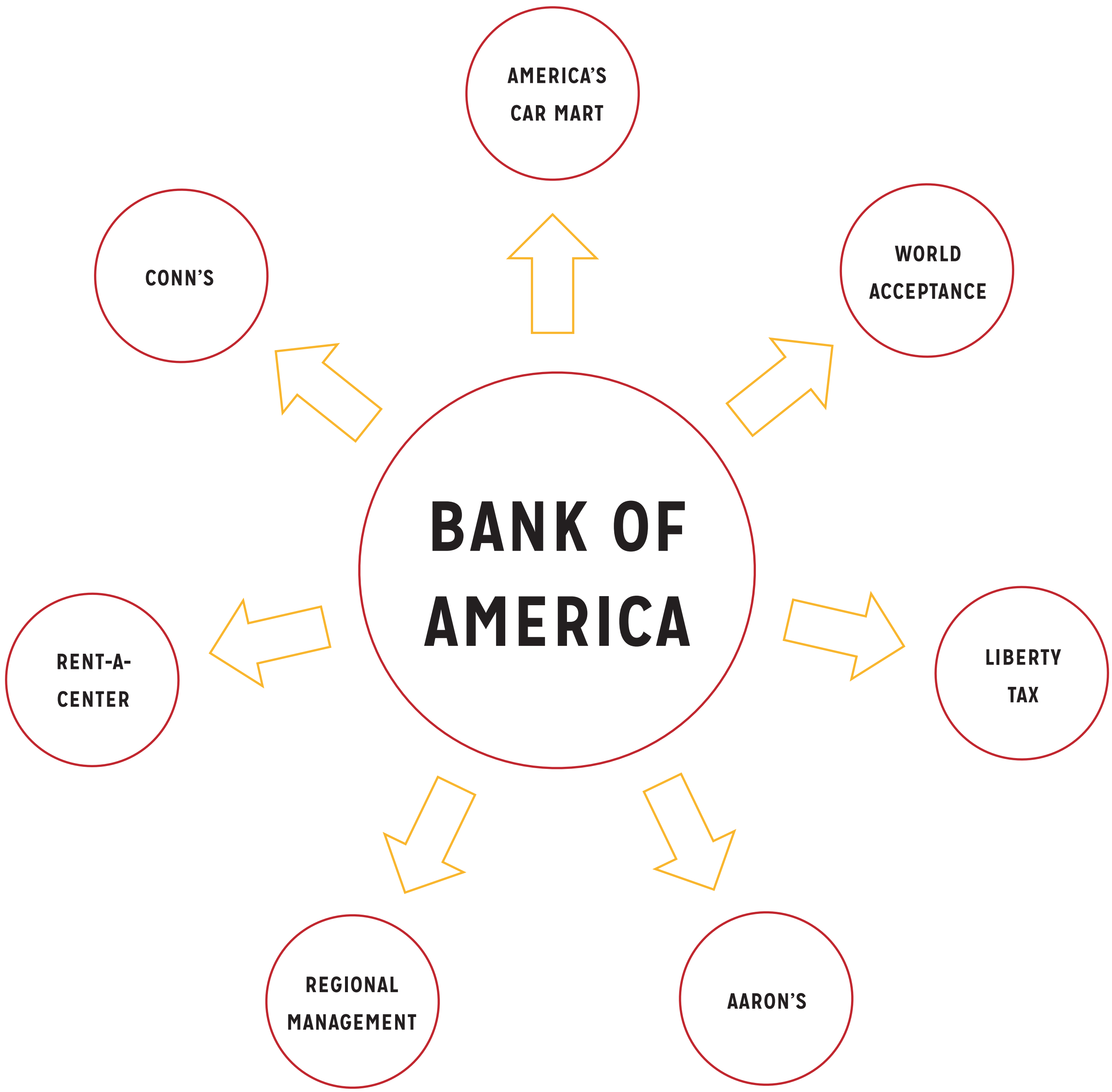
This paper is meant to serve as a simple sourcebook for people that want to research how these companies access capital. It covers companies in a variety of high-cost loan industries: payday lenders, pawn lenders, buy-here pay-here car dealerships, refund anticipation loan providers, rent-to-own stores.

Corporate financing provides banks with several ways to profit from these businesses. In fact, deriving interest from loans is only one aspect of the business. The majority of these companies have capital markets teams that provide additional services to consumer finance companies. In most of these transactions, other subsidiaries of banks operate in difference capacities: as administrative agents, as "book-runners," as syndication agents, as trustees, as liquidity agents, and in other facets. Even after the issuance of debt, consumer finance companies rely upon banks to provide them with deposit, payroll, and other payments services. While those activities generate additional fees, they are not the target of this research.

This paper does not cover equity investments by banks. When appropriate, it mentions instances when banks buy securities packaged from the cash flows generated from the receivables of these high-cost products. Generally, these purchases are limited to asset-backed securities made up of buy-here pay-here car loans. As the form of this financing differs from traditional lending, these events are not used to make up the sums of investments.

The underlying message to be drawn from this research is this: banks make it possible for non-bank alternative finance firms to offer their high-cost products. When banks contend that they do not make payday loans, they are only being half-honest. While these loans are not made in their branches, big banks enjoy the profits.


WELLS FARGO
CASH AMERICA
EZ CORP
DFC GLOBAL
ADVANCE AMERICA*
JACKSON HEWITT
LIBERTY TAX
RENT-A-CENTER
WORLD ACCEPTANCE
WHITE RIVER CAPITAL
FIRST CASH FINANCIAL
CREDIT ACCEPTANCE


AMERICA'S CAR MART
CONN'S
WORLD ACCEPTANCE
BANK OF AMERICA
RENT-A-CENTER
LIBERTY TAX
REGIONAL MANAGEMENT
AARON'S

Once upon a time, in small towns in Ohio and Tennessee, payday lenders operated small shops out of strip malls or at a desk inside of a landlord's office. It was a new way to make a lot of money. Borrowers paid fees for each fifty or one hundred dollars that they borrowed. As collateral, they postdated a paycheck for the last day of their loan. If they could not pay the loan back within that time, the lenders allowed them to renew the loan for another fee.

With those fees, these "mom and pop" stores were able to generate consistent profits. The new loans caught state regulators off guard. Consumer protections in this area were weak. Most of their business activity escaped the attention of media, the general public, and government regulators.

In fact, business was so good that the owners of these companies were sure that they could make more money in more places. They only had one problem – they needed more money to make capital investments and to remain liquid.

At first, their entreaties fell upon deaf ears. But they kept making money, and it was only so long before Wall Street noticed.

Investment banks sent the first emissaries to the payday industry in the late 80s. At first, their participation was indirect; they acted as agents to sell shares of stock. In 1987, pawn lender Cash America went public and began offering shares on the American Stock Exchange. By the early 90s, private equity began to invest their own dollars. The banks followed suit soon thereafter. In time, many national banks developed deep relationships with their clients in this industry. They borrow for years or even decades. In many cases, current or former staff from banks and investment firms serve on the boards of these companies.

Since the mid-90s, when Cash America went to Wall Street to offer their shares on NASDAQ, banks have been there for their clients. Today, the industry of payday lenders and their brethren are able to borrow hundreds of millions of dollars from banks. Having access to that capital is a basic necessity. Without liquidity, these companies would have to curtail their operations dramatically. The industry would still exist, but on a far smaller scale at most likely with a higher cost of capital

The banks do not advertise their involvement. Indeed, they often justify their prices for overdrafts or credit cards as legitimate solely because they are priced below the products offered by their non-bank competitors. In reality, though those products are still derived from their assets.

[1] 2010: Goodwin Simon Strategic Research. "San Jose Payday Loan Store Restrictions Survey" Prepared for the Center for Responsible Lending.

At the same time that payday lenders were finding an audience on Wall Street, companies offering a spectrum of other high-cost financial products evolved to serve those consumers with limited access to mainstream financial services. Wall Street made loans to those firms as well.

Their structures reflect a similar approach to capital formation. Be it rent-to-own, pawn, or any similar enterprise, each can claim to have decades-old partnerships with Wall Street.

Rent-to-own began in the 1960s in Kansas. In 1995 Renter's Choice (later known as Rent-A-Center) issued shares on NASDAQ.

Buy Here Pay Here stores emerged in the 1970s. Generally dealers started a "related finance company" to offer a loan to their customers. In the time since, institutions such as Credit Acceptance and Consumer Portfolio Services have emerged and become a secondary market for dealer financing. A loan at a BHPH store can be as high as 30 percent. Moreover, markups are much higher. In 2012, America's Car-Mart sold its used cars for 73 percent more than cost. Car-Max, by contrast, sold its used inventory for 12 percent above cost during the same period.

Pawn shops have endured since the Roman Empire. The world's largest pawn lender, EZ Corp, was purchased by a private equity firm in 1989. At the time, it had 16 stores. Now it is the exclusive owner of almost 900 stores.

Household Finance developed the first refund anticipation loan back in the 1980s. Household later became Beneficial – a subsidiary of international banking giant HSBC. Household was not a bank, but the loans were subsequently issued by major banks beginning in the 90s.

Currently, many banks are earning plenty of money from their accounts with payday lenders, BHPH dealerships,rent-to-own stores, car title lenders, pawn shops, and tax refund financiers.

But that fact remains a hidden secret. Wall Street wants it both ways: they want profit but they want to avoid the collateral damage to their reputations. By offering debt from their offices on Wall Street, they can achieve that goal. The Main Street financiers are packaging the finished goods, but the contents are manufactured back on Wall Street.

PAYDAY LOANS

CASH AMERICA

Cash America provides financial services across a variety of fields including payday loans, installment loans, pawn loans, cash checking, prepaid debit cards, auto title loans, and money transmission. They are the second largest corporation, measured by market capitalization, of any payday lender.

On March 30, 2011, Cash America secured a new credit agreement that provided $330 million in debt financing[2]. The debt included a revolving line of credit of $280 million and a $50 million term loan.

Eight months later, the agreement was amended. It increased the available line of credit to $380 million. The specific allocations were not spelled out in their filing with the SEC. Their term loan remained at $50 million[3].

2011 CREDIT AGREEMENT	U.S. REVOLVING	MULTI-CURRENCY*	TERM LOAN	TOTAL
WELLS FARGO BANK, N.A.	$94,058,210	$16,941,790	$16,000,000	$127,000,000
JPMORGAN CHASE BANK, N.A.**	$78,967,854	$13,032,146	$10,000,000	$102,000,000
KEYBANK, N.A.	$44,660,295	$9,339,705	$7,000,000	$61,000,000
US BANK, N.A.	$10,519,201	$7,080,799	$3,400,000	$21,000,000
FIRST TENNESSEE BANK, N.A.	$24,100,000	N/A	$3,400,000	$27,500,000
AMEGY BANK, N.A.	$28,600,000	N/A	$3,400,000	$32,000,000
BANK OF TEXAS	$24,994,440	$3,605,560	$3,400,000	$32,000,000
TEXAS CAPITAL	$24,100,000	N/A	$3,400,000	$27,500,000
TOTAL	$330,000,000	$50,000,000	$50,000,000	$430,000,000

**Multi-currency: a line of credit that can be tapped in multiple currencies. This is appropriate for a company with operations in more than one country.*

Note: In May 2013, the line was reduced when JP Morgan Chase ended its relationship with Cash America. Chase's exit was not publicly disclosed. The rest of the aforementioned banks remained involved and at similar levels.

[2] http://www.sec.gov/Archives/edgar/data/807884/000119312511089230/dex101.htm
[3] http://www.sec.gov/Archives/edgar/data/807884/000119312511326099/d263539d8k.htm
http://www.sec.gov/Archives/edgar/data/807884/000119312513222474/d539678dex991.htm

DEFINITIONS

Term Loan: A loan with a finite lifespan. Most fixed corporate loans have terms of between 3 and 10 years.

Line of Credit: A credit facility of up to a maximum amount which can be utilized to a greater or lesser amount by the borrower. Usually money can be drawn and then later paid back. A home equity loan is a line of credit. A credit card is a revolving line of credit.

Administrative Agent: The bank acting as the agent on behalf of the syndicate of lenders. Payments and communications between borrowers and lenders are made through the administrative agent.

N.A.: National Association. All banks regulated by the Office of the Comptroller of the Currency have N.A., in their name.

The company indicated that it would use cash and proceeds from its line of credit to make the transaction[4].

Board of Directors' Members with Relationships to Wall Street: AmeriCredit/GM Finance (CEO), Anchor Capital Partners (Founding Managing Partner)

DOLLAR FINANCIAL/DFC GLOBAL

DFC Global provides payday loans, pawn, check cashing, short-term consumer loans, prepaid debit cards, and military installment lending. The company is now operating in several continents.

Wells Fargo, in consortium, amended its existing credit agreement with DFC Global (Dollar Financial) on Dec. 31, 2012[5]. The original loan was arranged on March 3rd, 2011[6]. It consisted of a $235 million revolving line of credit. While the level of participation was not released in their filing, the names of the lenders were included. The list of lenders consisted of Barclays, Credit Suisse, Deutsche Bank, US Bank, and Nomura International.

NOMURA INTERNATIONAL	SHARED A $235 MILLION REVOLVING LINE OF CREDIT.
BARCLAY'S BANK	
US BANK, NA	
DEUTSCHE BANK	
CREDIT SUISSE	
WELLS FARGO BANK, N.A.	

As of their last annual report, the company had approximately $60 million outstanding on its revolving line. NOTE: The revolver was amended at the end of 2013. US Bank and Wells Fargo dropped from the list and Societe General joined.

[4] http://biz.yahoo.com/e/130624/csh8-k.html
[5] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=8993650-8949-30945&type=sect&dcn=0001299933-12-002868
[6] http://www.sec.gov/Archives/edgar/data/1271625/000095012311023588/w81924exv10w1.htm

Board of Directors' Members with Relationships to Wall Street: Bear Stearns (Managing Director)

ADVANCE AMERICA

Advance America makes payday loans, consumer installment loans, cashes checks, sells prepaid reloadable debit cards, and prepares taxes.

The most recently available credit agreement announced by Advance America is now two years old. It is very possible that the company has renegotiated since then. However, Advance America ceased to be a publicly traded company in 2012 when it was purchased by a subsidiary of Grupo Elektra, a Mexican consumer finance company.

Prior to this transaction, Advance America had a line for $300 million. They announced the agreement in 2011. It included a term loan of $100 million.

In their 2012 filing, they had used approximately $100 million of that facility. Lenders included Bank of America, Wells Fargo, US Bank, Synovus, Capital Bank NA, First Federal Savings and Loan Association of Charleston, First Tennessee Bank, Bank of Oklahoma, BB&T and Fifth Third[8].

Upon the completion of their acquisition by Grupo Elektra in April 2012, Advance America terminated the agreement and repaid the entirety of the outstanding line (Advance America, 2012).

Advance purchased the retail division of CompuCredit on August 5th, 2011[9] for $45.6 million. CompuCredit had a checkered history. Prior to the acquisition, CompuCredit had entered into settlements with the Federal Trade Commission for unfair and deceptive practices.

BANK OF AMERICA, N.A.	$300 MILLION IN TOTAL DEBT, CONSISTING OF AT $100 MILLION TERM LOAN AND A $200 MILLION REVOLVING LINE OF CREDIT 2012
WELLS FARGO, N.A.	
US BANK, N.A.	
CAPITAL BANK, N.A.	
FIRST FEDERAL SAVINGS AND LOAN	
FIRST TENNESSEE BANK	
BANK OF OKLAHOMA/BOKF, N.A.	
BB&T	
FIFTH THIRD	

Board of Directors' Members with Relationships to Wall Street: Morgan Stanley, Bank of America, Credit Suisse.

QC HOLDINGS

QC Holdings offers payday loans, short-term consumer installment loans, and auto loans. They are one of the smallest publicly-traded companies in this report, with assets of only $131 million. In

[8] http://www.sec.gov/Archives/edgar/data/1299704/000110465911067892/a11-31160_1ex10d1.htm
[9] http://files.shareholder.com/downloads/AEA/1513017814x0xS1104659-11-44554/1299704/filing.pdf

spite of their asset base, the company still made more than $800 million in payday loans in 2012. The average loan at one of their stores generates $76 in fees for every $500.

QC said that it used internal cash flow and the credit facility to grow from 2001 to 2004. In the last five years, the company has closed over 150 branches and as a result has had less need for new capital.

US BANK, N.A.	$59 MILLION IN LOANS, CONSISTING OF $27 MILLION REVOLVING LINE OF CREDIT AND A TERM LOAN OF $32 MILLION.
FIRST TENNESSEE	
ENTERPRISE BANK & TRUST	
BANK OF OKLAHOMA/BOKF N.A.	
UNITED COMMUNITY BANK	
PULASKI BANK	

QC purchased Express Check Advance of South Carolina for $16.2 million[10]. It regularly attributes its growth to their ability to tap their revolving credit facility. In its filings, for example, QC reports that "their acquisition [of Express Check Advance of South Carolina] was funded with a draw on our revolving credit facility. (QC Holdings, 2013)"

In 2006, QC Holdings signed an agreement with five banks to create a $45 million line of credit. They consisted of US Bank, N.A. (agent and lender), Bank Midwest, Enterprise Bank & Trust, Bank of Oklahoma, N.A. and National City (now PNC Bank, N.A.) The agreement has been amended several times.

Most recently, QC received a revolving line of credit of $27 million and a term loan of $32 million from a consortium of six lenders: US Bank, N.A. (also acting as agent), BOKF (formerly Bank of Kansas City, N.A.), Enterprise Bank & Trust, First Tennessee Bank, Pulaski Bank, and United Community Bank[11]. It was amended in May 2013. The debt is secured by an equity stake in a Canadian subsidiary of QC.

Their Board of Directors includes an executive working for one of their lenders.

Board Relationships to Competitors: Advance America

Board Relationships to Wall Street: Enterprise Bank & Trust, Equity Bank, N.A. Federal Deposit Insurance Corporation

WORLD ACCEPTANCE

World Acceptance has a hand throughout the alternative high-cost consumer finance sector. They provide small loans, credit life insurance, credit property insurance, credit accident insurance, auto clubs, non-file insurance, low-income tax preparation, and private unemployment insurance. At the end of 2012, they had 1,173 locations. The

[10] http://google.brand.edgar-online.com/EFX_dll/EDGARpro.dll?FetchFilingHTML1?ID=4808939&SessionID=zEFsFe8pblCAPs7

[11] http://www.sec.gov/Archives/edgar/data/1289505/000119312511265485/d240569dex101.htm

LENDERS TO WORLD ACCEPTANCE	COMMITMENT
WELLS FARGO BANK, NATIONAL ASSOCIATION	$200,000,000
BANK OF MONTREAL	$125,000,000
BANK OF AMERICA, N.A.	$150,000,000
CAPITAL ONE, NATIONAL ASSOCIATION	$75,000,000
TD BANK, NA	$50,000,000
BRANCH BANKING AND TRUST COMPANY	$15,000,000
TEXAS CAPITAL BANK, NATIONAL ASSOCIATION	$30,000,000
FIRST TENNESSEE BANK NATIONAL ASSOCIATION	$35,000,000
TOTAL	$680,000,000

company extended 2.4 million loans in 2012.

Most of their loans are made for between $1,500 and $5,000 and can be repaid in installments over a period of as long as 18 months. This means that their loans can vary in price, but they are not nearly as high as traditional payday loans. In fiscal year 2012, almost one-fourth of their loans had interest rates below 36 percent. More than ten percent were priced above 91 percent. As such, they are not a classic payday lender.

But while their loans are generally for longer terms, the average life span of their portfolio is just four months, which means that they "churn" in much the same way as does a traditional payday loan. Moreover, their sales of add-on products is far higher than might be expected for an opt-in product. A study of 186 originations, loans were coupled with an averare of 2.42 voluntary products and that 100 percent of loans sold in Tennessee and Lousiana came with a voluntary product.

They report that their borrowing costs were 5.4 percent in FY 2011 and 4.6 percent in FY 2012.

World Acceptance uses the "rule of 78ths" in its bookkeeping. The Rule of 78ths is a method of bookkeeping that pushes back the share of principal credited for loan repayment to the backend. For borrowers that pay back a loan early, the impact is to raise the effective rate of interest.

On November 19th, 2012, a consortium of lenders amended their 2010 agreement to provide World with $680 million in revolving credit[12].In September 2013, the parties amended the agreement for a fourth time[13]. Neither the list of lenders participating nor the amounts involved changed.

Board Relationships to Competitors: Credit Acceptance

Board Relationships to Wall Street: The South Financial Group/now TD North (Chief Financial Officer)

Others payday lenders: **Community Choice Financial:** $34 million in lines of credit at approximately 5.17 percent. They have sold $437.3 million in notes ($420 million secured) at rates of between 3.75 percent and 12.75 percent.

Board Relationships: Stephens and SunTrust (past and current CEO), National City Bank, Bank of America, Midland Bank, Credit Suisse (2).

[12] http://www.sec.gov/Archives/edgar/data/108385/000114036112048171/ex10_1.htm
[13] http://www.sec.gov/Archives/edgar/data/108385/000010838513000042/wrld_9-6x2013x8xk.htm

BUY-HERE PAY-HERE

Although the general public has heard enough to understand payday lending, fewer people are familiar with the Buy-Here Pay-Here ("BHPH") business model. This anonymity would seem to contradict the expectations for an industry that sells millions of cars each year.

BHPH is prevalent throughout the country; most communities have several such lots. But most of their lots are small and the BHPH term is rarely included in their signage. Most dealerships have as few as thirty or forty cars on their lot at any one time. Many will be older models and some will sell for less than five thousand dollars. It is easy to drive by one of these dealerships for years and never notice it. Still, once you know what to look for, they are easy to spot.

The most important message – and thus the one likely to be emblazoned in eight-foot tall bubble letters on the store's marquee – is "We Finance Anyone."

Buy-Here Pay-Here is emblematic of the oft-heard phrase "the poor pay more." Buy-here pay-here lots often price their loans right up to the edge of state usury laws. In turn, markups on the price of cars for sale at a BHPH lot are much higher than at mainstream dealerships. This happens because the BHPH dealer enjoys lots of leverage over his or her customers. People buy a car at a BHPH lot because they don't have a better option.

For evidence to support that statement, it helps to look at the finances of a dealer. In 2010, Drive-Time announced plans to offer an initial public offering of their shares. The company had to provide a very detailed account of its operations as part of that effort. DriveTime's typical customer has a FICO score of less than 570. Cars in their dealership have, on average, more than 65,000 miles and are more than four years old.

During the five years from 2005 to 2009, the company never reported an operating margin on its inventory (sales of used vehicles - cost of used vehicles sold)/ (cost of used vehicles sold) of less than 62 percent. In 2009, the company had a margin of 76 percent[14]. Translated to a car-by-

[14] http://www.getfilings.com/sec-filings/100319/DriveTime-Automotive-Inc_S-1.A/#toc76134_9

car scale, they were buying cars for approximately $7,900 and the selling them for $14,000.

Compare those margins with the ones earned on a car sold at a prime dealer such as CarMax. CarMax is the largest seller of used cars in the country. They focus on selling low-mileage late model cars. The average price on one of the used cars sold at CarMax was $19,000. In 2012, CarMax said that it could sell used vehicles for about $2,200 above their cost of acquisition. In 2009, when Drive-Time was selling cars for more than $6,000 above the cost of acquisition, Car-Max was selling higher-priced cars for only $1,865 above their cost of acquisition[15].

AMERICA'S CAR MART

America's Car-Mart has 123 locations, mostly in the Southeastern United States. Thirty-nice percent of its sales are made in Arkansas. In 2012, it sold more than 50,000 cars. It is an integrated seller: it has sales, collections, and financing functions within its corporate body. In last year, America's

LENDERS TO AMERICA'S CAR-MART	AMOUNT
BANK OF ARKANSAS, N.A. (BOKF)	$40 MILLION
BANK OF AMERICA, N.A.	$55 MILLION
FIRST TENNESSEE BANK	$20 MILLION
ARVEST BANK	$15 MILLION
COMMERCE BANK, N.A.	$15 MILLION
TOTAL	$145 MILLION

Car-Mart reported that it sold cards with an average markup of 74 percent[16]. (Sales – Cost of Sales)/ (Cost of Sales excluding depreciation). The company currently charges a fixed rate of 15 percent on new contracts.

The company has charged off as much as 31 percent of its debt in recent years (they made allowances for 21.5 percent in 2012), but this is acceptable to their Board because their business model can accommodate those losses. High interest rates allow the company to absorb more risk. As well, they can frequently repossess and later resell cars in cases where the borrower defaulted on his or her loan. When loans go bad, it happens quickly: in 2012, the mean age of a charged-off account was only 10.6 months[17]. With each contract, CRMT gets to keep the down payment and any paid-down principal.

Through a series of its subsidiaries (Colonial Auto Finance, Texas Car-Mart, et al), America's Car-Mart, Inc. received a $90 million loan on November 4, 2010 from Bank of America, Bank of Arkansas (BOKF), Arvest Bank and Commerce Bank[18]. In 2012, the loan was increased to $145 million and First Tennesse Bank was added to the list of participating lenders.[iv] The loan has been amended

[15] http://www.sec.gov/Archives/edgar/data/1170010/000117001010000032/tenk.htm
[16, 17] http://www.sec.gov/Archives/edgar/data/799850/000117184313002561/f10k_062013.htm
[18] http://www.sec.gov/Archives/edgar/data/799850/000117184310002359/f8k_110510.htm
iv. http://www.sec.gov/Archives/edgar/data/799850/000117184312003447/exh_43.htm

several times, including as recently as October 2014, but the amount has not changed.

In the October 2014 agreement, America's Car-Mart revealed that it was paying 2.375 percent per year for four years. The price can be adjusted if the company's leverage ratio changes.

CREDIT ACCEPTANCE CORPORATION

The largest player in BHPH finance is Credit Acceptance Corporation ("CACC"). The company began in 1967 from one used car lot in Detroit.

On its website, Credit Acceptance has a video outlining how its corporate history. The video describes not only the basic terms of the business but also the company's relationship to Wall Street.

The Don Foss Story, as it is called, taps from CACC's archive of advertisements. In most, Foss is played by an actor.

"Don suffers from a rare disorder known as 'neg-a-phobia,'" says an actor in The Don Foss Story.

Board Relationships to Wall Street: None.

"He has an inability to say 'no'."

In an interview later on, Foss says that his motto is "you can't sell anything by saying 'no'."

"I always like them [customers] more," adds Foss, "the more money they put down. The premise is you always get enough money down to cover the cost of the car. Then you finance the profits."

Credit Acceptance has two lines of business: a dealer financing program and a direct-to-consumer product. With the former, CACC advances monies to a dealer, with the principal due plus a servicing contract that delivers almost 20 percent of payments back to the company. With its direct-to-consumer model, CACC offers loans with a weight-average cost of capital of approximately 23 percent.

Unlike America's Car-Mart, Credit Acceptance Corporation does not sell cars. In spite of that, Credit Acceptance is possibly the most important player in the buy-here pay-here market. Credit Acceptance provides financing in this segment – either to dealers or to consumers on a correspondent basis. Their role mimics the function performed by securitization in mortgage markets, because they provide liquidity to consumer-facing lenders. In 2012, the company made 193,023 loans through its Purchase Loan and Dealer Loan programs. More than 90 percent are routed through dealers.

In 2012, the company borrowed at 5.5 percent and made loans with an average yield of 32.3 percent.

[19] http://biz.yahoo.com/e/130628/crmt8-k.html

In 2012, Credit Acceptance's profit margin was 36.1 percent.

Wells Fargo, Wells Fargo Securities and Variable Funding Capital Company LLC extended their $325 million warehouse line to Credit Acceptance Corporation on Dec. 27th, 2012[20]. Variable Funding Capital Company, LLC is a subsidiary of Wells Fargo.

"We offer automobile dealers financing programs that enable them to sell vehicles to consumers regardless of their credit history... Our financing programs are offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing."

-Credit Acceptance

At the end of last year, Credit Acceptance and Wells extended the agreement through 2014[21]. The only material change to the facility was a new interest rate. Wells Fargo dropped the cost by 75 basis points.

In April 2013, Credit Acceptance signed a new loan with Wells and two subsidiaries of Bank of Montreal for a $75 million warehouse facility[22]. The other lenders are Bank of Montreal and their affiliate BMO Capital Markets.

This report documents two warehouse extensions, but Credit Acceptance indicates in a recent filing that it has three active warehouse lines with a credit capacity of $475 million.

But in order for the company to advance capital to dealers, it needs a source of liquidity to restore its cash. As is common in the buy-here pay-here market, the company accomplishes that by selling asset-backed secruties. From 2010 to 2012, the company sold $734 million in notes. As is the case with CPS, it sold those loans at a substantial discount to face value. Over that time, in fact, pledged cash payments constitute 80.5 percent of pledged collateral. Overall, the interest

WELLS FARGO BANK, N.A.	**ORIGINATED A $325 MILLION CREDIT FACILITY**
WELLS FARGO SECURITIES	
VARIABLE FUNDING CAPITAL COMPANY, LLC	
BANK OF MONTREAL	**ORIGINATED A $75 MILLION CREDIT FACILITY**
BMO CAPITAL MARKETS	
WELLS FARGO BANK, NA	

20 http://www.sec.gov/Archives/edgar/data/885550/000088555013000002/cacc_8k122712.htm
21 http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9000498-3543-4752&type=sect&dcn=0000885550-13-000002
22 http://biz.yahoo.com/e/130405/cacc8-k.html

rate on those ABS was 2.27 percent.

WHITE RIVER CAPITAL

White River Capital ("RVR") is the parent of Coastal Credit, LLC. The company provides sub-prime automobile financing (as well as auto insurance and several other niche credit products) through relationships with automobile dealers. The company specializes in making loans to members of the Armed Forces and to their families. According to White River, 60.1 percent of its contracts signed in 2011 were made to borrowers in the United States military.

One unique focus to their operation is their use of the allotment system. The company prefers that its borrowers establish a repayment through the military allotment system. The allotment system makes it much easier for the company to collect. Coastal describes their motives for it in this filing:

Board Relationships to Wall Street: None.

> *"Under this allotment system, the borrower authorizes the military to make a payroll deduction for the amount of the borrower's monthly contract payment and to direct this deduction payment to Coastal Credit on behalf of the borrower. Delinquency of payments on contracts paid by allotment historically has been less than delinquency of payments on contracts not paid by allotment. As a result, the collection effort associated with the military contracts requires less time…."*
>
> *-White River Capital, 2012*[23]

Coastal Credit, LLC secured a revolving line of credit from Wells Fargo Financial Preferred Capital on September 14th, 1998. Since then, the agreement has been amended four times.

Coastal Credit pays an interest rate with a margin. The base rate is the 1 month LIBOR (currently 0.19 percent). The margin can be as little as 2.6 percent to as much as 3.1 percent, depending upon the company's senior debt to capital base ratio.

But they are able to charge far more to their customers. The company paid $1.8 million in interest expense during FY 2011. It reported approximately $35.2 million in earned interest from its receivables portfolio.

The 2011 agreement extended the maturity date until 2014 and created a new fee (either 0.125 percent or 0.5 percent) for funds available on the line of credit but not used.

However, the sum of the loan has not changed since 2006. The agreement gives Coastal access

[23] http://biz.yahoo.com/e/121109/rvr10-q.html

to a $100 million line of credit. At the end of 2011, the company reported that it had $81 million drawn from its line of credit. It is fair to say that were it not for its ability to borrow, the company would not exist.

Earlier this year, Parthenon Capital Partners purchased White River. The company's shares are no longer publicly traded.

Board Relationships to Wall Street: LaSalle Bank (now Bank of America), Guaranty Bancorp (Chairman of the Board), CEO of Wells Fargo Financial, PacWest Bancorp (Chairman of the Board and Director), WMC Mortgage (CEO), TCF Financial (Director).

Note: White River Capital is now a Subsidiary of Parthenon Capital. This list is from White River's Board membership in March 2012 and is likely to have changed.

DRIVETIME

DriveTime has a $100 million line of credit from Santander Consumer USA ("SCUSA"). SCUSA is a subsidiary of Banco Santander. The line, which was most recently amended on December 31st, 2012, runs through December of 2019[24].

Drive-Time sells approximately 70,000 cars per year from locations in 19 states. They finance almost all of the cars that they sell. They offer financing at more than 100 percent.

loan-to-value. Through their subsidiary GO Financial, they provide financing to dealers outside of their corporate family. For the six months ending on June 30th, 2013, the average APR on their loans

Board Relationships to Wall Street: LaSalle Bank (now Bank of America), Guaranty Bancorp (Chairman of the Board), CEO of Wells Fargo Financial, PacWest Bancorp (Chairman of the Board and Director), WMC Mortgage (CEO), TCF Financial (Director).

was 19.7 percent[25].

In an odd footnote, Raymond Fidel, the CEO of DriveTime, was charged for fraud arising from the sales of bonds at Lincoln. Fidel pled guilty to securities fraud. In turn, Fidel aided in the prosecution of Charles Keating, Jr[26]. Keating's name became the point of reference to the Keating Five scandal in the early 90s.

Ernest Garcia II, the Chairman and Co-Founder of DriveTime, pled guilty to one count of bank fraud

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[24] http://biz.yahoo.com/e/130107/10127048-k.html

[25] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9449555-224715-299983&type=sect&TabIndex=2&companyid=720&ppu=%252fdefault.aspx%253fcik%253d1012704

[26] http://www.nasdaq.com/markets/ipos/filing.ashx?filingid=6706449

in the early nineties and was sentenced to three years of probation. He later filed for bankruptcy.

SCUSA is owned by Banco Santander, a Spanish bank, and three private equity firms.

CONSUMER PORTFOLIO SERVICES

Consumer Portfolio Services ("CPS") buys distressed subprime car loans. For a company like CPS, most of their financing comes through securitizations, but the ability to tap a revolving line of credit is essential to allowing them to continue to buy larger and larger sets of loans from car dealers. As such, CPS' structure most closely matches that of Credit Acceptance.

Board relationships to Wall Street: Royal Bank of Scotland Greenwich Capital, Associates First (CEO and Chairman), SunAmerica (division CEO), THL Credit Group, LP (CEO and CIO), Lender Processing Services (Board), Citigroup.

CPS is interested in the segment of customers with low credit or with no credit at all. They will lend to consumers with FICO scores below 500. They will extend credit at loan-to-value ratios of as high as 140 percent. It will take loans made to borrowers who have recently exited from bankruptcy. The average yield on loans in their first-time buyer program was 26.7 percent during the first half of 2013. Overall, average yield was 21.8 percent[27].

CITIGROUP	$100 MILLION
GOLDMAN SACHS	$100 MILLION
FORTRESS INVESTMENT GROUP	

For dealers, they even provide internet-based lead generation services.

Citigroup entered into an agreement for a one-year credit line of up to $100 million to Consumer Portfolio Services on May 30th, 2012[28]. The debt was secured by receivables. Citigroup is the lender for the Class A and Class B positions, the administrative agent, and the collateral agent. On June 7th, 2013, the financing was renewed for at least another two years. CPS will pay one-month LIBOR (currently 0.19 percent) plus a margin of 6 percent, but never less than 6.75 percent[29].

The weighted-average interest rate on loans held in their portfolio was 19.6 percent at the end of 2012.

According to investor relations at CPS, the company also has a $100 million revolving line of credit co-issued by Goldman Sachs and Fortress Investment

[27] http://ir.consumerportfolio.com/presentations.cfm
[28] http://biz.yahoo.com/e/120530/cpss8-k_a.html
[29] http://biz.yahoo.com/e/130607/cpss8-k.html

Group. The latter is an investment management firm with a private equity subsidiary.

Much of the liquidity is sourced from the sales of securities backed by streams of future consumer loan repayments. They have sold $8.1 billion in securities since 1994 and $554 million just in 2012 alone. In a typical year, CPS issues four rounds of notes. In the last 10 years, they have issued 32 securitizations.

Their company's securitizations providing a telling window into the credit qualify of their loans. On a typical issuance, they will hold back a substantial portion of the face value of the debt. Generally, they hold the last position. Given that, certain portions of their debt will attain investment grade ratings even though the average credit score on the underyling portfolio is less than 600. Currently, they have $774.7 million in receivables on their books which they value at only $59.7 million.

REGIONAL MANAGEMENT

Regional Management provides installment loans, car loans and sells add-on insurance products. In a few weeks, the company plans to issue 2.04 million shares of common stock. For now, the company has approximately 12.5 million shares outstanding.

The company sources approximately seventy percent of its outstanding capital from debt. In May 2013, the company drew an increased line of credit for $500 million. The same banks as those listed below in an earlier loan participated:

BANK OF AMERICA, N.A.	**$150 MILLION**

Board Relationships to Wall Street: Jeffries, ContiFinancial, The Harding Group

TEXAS CAPITAL BANK	**$30 MILLION**
CAPITAL ONE, N.A.	**$75 MILLION**
FIRST TENNESSEE BANK	**$35 MILLION**
BANK OF MONTREAL	**$80 MILLION**
WELLS FARGO BANK, NA	**$130 MILLION**

Board Relationships: Former Commisioner, SEC. Bear Stearns,GMAC, CFO of Bank of America, COO of Capital One FSB, Citibank.

PAWN SHOPS

Pawn shops offer loans collateralized against personal property. Consumers can redeem the goods they bring to the stores but only after paying a redemption fee. Typically, monthly fees range from 10 to 25 percent of the advance. Pawn shops make money coming and going; for those that redeem, the store pockets a fee. For those that forfeit their goods, the store resells the items at a higher price than the advance. A typical mark-up can be as high as 60 percent. Finally, most trade in precious metals. Stores usually buy gold and silver directly, rather than acquiring it through forfeiture.

Given this approach, pawn shops are less dependent upon revolving lines of credit than are payday lenders or sub-prime auto finance companies.

Most national pawn chains offer additional products. Some offer auto title loans, prepaid cards, payday loans and installment loans. At some national chains, pawn service charges only account for about one-quarter of all revenues. In some years, the sale of gold and silver contributes more to top-line than any other factor.

EZCORP

As measured by market capitalization, EzCorp is the third largest publicly-traded pawn store in the United States. As such, its income is a factor of its customer-facing pawn lending division and of the price of gold. They also derive revenues from their own auto title loans and for generating leads to other auto title lenders. Recently, EZCorp said that it would begin a new online short-term consumer lending business. They purchased most of the company that operates Cash Genie in the United Kingdom.

EZCorp has locations in the US, Canada and Mexico. As a major pawn lender, a large share of their revenues is based upon the purchase

EZCorp is borrowing at LIBOR plus 2.75 percent, which currently amounts to approximately 4 percent in all per year. The company charges customers twenty percent of principal per month.

and resale of gold. Their brands include EZPawn, Cash$Max, Crediamigo, Value Pawn and Jewelry, Cash Converters, Albemarle and Bond, Emeno Facil, and EZMoney Loan Services.

In May 2011, a consortium of five banks agreed to lend $175 million to EZCorp and its subsidiaries[30] over four years. Upon request, EZCorp may be able to increase the loan to $225 million. The company pays LIBOR plus a margin of as much as 275 basis points.

AMEGY BANK, N.A.	ORIGINATED A FOUR-YEAR TERM LOAN OF $175 MILLION WITH AN OPTION TO INCREASE TO $225 MILLION.
BOKF, N.A.	
US BANK, N.A.	
BBVA COMPASS	
WELLS FARGO, N.A.	

EZCorp says that the majority of its pawn loans earn 20 percent interest per month (EZ Corp, 2012).

As of December 30th, 2012, a subsidiary of EZ Corp has borrowed $32 million on a line with a total capacity of up to $115.2 million. The subsidiary currently pays LIBOR plus 200 basis points for draws and a small percentage for unutilized credit.

With this capital, they have expanded their footprint both in the United States and internationally. EZ Corp paid approximately $40 million in cash and stock to buy Go Cash, an online lender, in November 2012[31]. On October 1st, EZ Corp entered into a contract with Madison Park, LLC for financial advisory services. Madison Park is owned by the owner of all of EZ Corp's class B common shares.

Board Relationships to Competitors: Cash Converters (EZ Corp has a Minority Ownership Position in Cash converters.)

Board Relationships to Wall Street: None

FIRST CASH FINANCIAL

While it does offer consumer loans, more than 90 percent of revenues at First Cash Financial are derived from pawn lending. By market capitalization, they are the largest pawn lender in the United States. The company has stores in twelve states in the United States and in another 24 states in Mexico.

First Cash Financial has a market capitalization of approximately $1.5 billion. The company had $155 million in liabilities at the end of fiscal year 2012. Approximately $100 million of that outstanding debt comes from funds pulled from their revolving credit facility at 2.25 percent. This credit facility was recently renewed and gives the company access to additional capital. The company is using that to expand its operations.

[30] http://www.sec.gov/Archives/edgar/data/876523/000095012311049188/d82245exv10w1.htm
[31] http://biz.yahoo.com/e/121127/ezpw8-k.html

Since 2009, the company has been drawing back from payday lending. It has sold thirty-two stores since 2009, discontinued its internet-based loan product in some states, and closed seven more stores. Currently, its payday lending is limited to Texas. There, it uses Texas' credit services origination ("CSO") platform. The company makes loans using a two-tiered pricing system: customers pay about 10 percent interest but pay an origination fee of $22 per $100 loaned.

JP MORGAN CHASE BANK, N.A.	ORIGINATED A LINE OF CREDIT FOR $205 MILLION (SEPT. 2013)
WELLS FARGO, N.A.	
TEXAS CAPITAL BANK, N.A.	
BOKF, N.A.	
AMEGY BANK, N.A.	

On February 7th, 2014, the line of credit was amended. The filing did not name the specific participants, nor if the list of lenders had changed.

Board Relationships to Wall Street: None

[32] http://www.sec.gov/Archives/edgar/data/840489/000117184312003387/exh_101.htm
http://www.sec.gov/Archives/edgar/data/840489/000084048913000033/fcfs093020138-k.htm

RENT-TO-OWN

Rent-to-own ("RTO") stores extend credit through an opaque process that hides real prices and hinders comparison shopping. Laws like the Truth-in-Lending Act do not cover rent-to-own contracts. The industry focuses on consumers unable to attain traditional sources of credit. In lieu of lending, RTO stores sell their goods on a payment plan. Given the fact that many of their customers have few or no other options, RTO stores have leverage in transactions.

According to the Association of Progressive Rental Organizations ("APRO"), 83 percent of RTO customers live in households with incomes of between $15,000 and $50,000 per year. Generally, rent-to-own stores realize a large share of their revenues during tax refund season. The Earned Income Tax Credit means that a strong majority of working lower-income families receive a tax refund at this time. Cash flows suddenly improve. Purchases that have been put off – be it in through R-T-O or via another channel – are suddenly within reach.

Even though these stores allow a buyer to spread payments out evenly over time, they still see their highest revenues during the tax season[33]. To that point, they often open small kiosks in the spring in stores with tax prep shops.

In general, the rent-to-own sector is the most capital intensive sector in consumer finance. These firms need to buy inventory. Given that payments are received over time, they need to borrow in order to remain liquid. Wall Street has met their needs year after year.

AARON'S

In May 2008[34], Aaron's borrowed $140 million from a consortium of lenders. SunTrust acted as the administrative agent. However, SunTrust also

LENDERS TO AARON'S	COMMITMENT
SUNTRUST	$35 MILLION
REGIONS	$35 MILLION
BRANCH BANK & TRUST	$35 MILLION
WACHOVIA BANK (WELLS FARGO)	$20 MILLION
BANK OF AMERICA	$15 MILLION
TOTAL	**$140 MILLION**

[33] Rent-A-Center. 10-k. pg. 36. April 20,2012
[34] http://www.sec.gov/Archives/edgar/data/706688/000095014408004514/g13676exv10w1.htm

served as the lender. SunTrust acted as the swing line lender, lender, and issuing bank.

The agreement was modified, although not substantially, on May 18th, 2011[35]. Amounts and lenders remain constant.

Board Relationships to Wall Street: Federal Reserve Bank of Atlanta, Citizen's Bancshares (2), invesco.

RENT-A-CENTER

Rent-A-Center operates three thousand stores and kiosks in the United States. They rent electronics, computers, appliances and home furnishings to customers that pay for their purchases on a weekly or bi-weekly basis.

A key element of their model is their ability to sell a product more than once. According to their filings, a product is "rented to three customers before a customer acquires ownership."

Very few companies in the consumer finance space have attracted as much debt financing as has Rent-A-Center. Rent-A-Center has been able to tap credit markets regularly in order to finance their acquisitions and to buy back shares. The former serves to increase revenues, whereas the latter allows the company to return higher earnings-per-share to their shareholders. Their credit agreements often feature structured payment plans that back-end most of the principal repayment. By accessing cash early and paying back late, the company has been able to enhance its ratio of debt-to-equity and this leverage its return-on-equity.

Over time, Rent-A-Center has reduced its level of indebtedness. Some of that debt financing has been replaced by the issuance of notes.

In 2006, Rent-A-Center amended its credit agreement with a consortium of twenty-six banks[36]. Union Bank of California, Lehman Brothers, and JP Morgan Chase all functioned in administrative roles. The agreement refinanced $1.32 billion in debt. This included a five-year term loan of $197.5 million, a $725 million six-year term loan (Tranche B), and a $400 million revolving line of credit. The company used $600 million of that debt to finance the acquisition of Rent-Way.

The table on the next page details the level of participation by banks in the extension of the five-year term loan ("term loan A") and the $400 million revolving line of credit:

Term Loan A called for quarterly principal repayments of $2.5 million from December 31st, 2006 until June 30th 2009, followed by four quarterly payments of $5 million, and then

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[35] http://www.faqs.org/sec-filings/110524/AARONS-INC_8-K/c17868exv10w1.htm
[36] http://www.sec.gov/Archives/edgar/data/933036/000095013406021725/d41401exv10w1.htm

LENDERS TO RENT-A-CENTER	REVOLVER	TERM LOAN A	TOTAL
JPMORGAN CHASE BANK, N.A.	$37,333,333	$18,433,334	$55,766,667
LEHMAN COMMERCIAL PAPER INC.	$37,333,333	$18,433,334	$55,766,667
UNION BANK OF CALIFORNIA, N.A.	$33,333,333	$16,458,334	$49,791,667
COMERICA BANK	$23,333,333	$11,520,834	$34,854,167
BRANCH BANKING AND TRUST	$20,000,000	$9,875,000	$29,875,000
WACHOVIA BANK, N.A. (WELLS FARGO)	$20,000,000	$9,875,000	$29,875,000
FIFTH THIRD BANK	$16,666,667	$8,229,166	$24,895,833
MIZUHO CORPORATE BANK, LTD.	$16,666,667	$8,229,166	$24,895,833
BANK OF AMERICA, N.A.	$14,638,773	$7,227,894	$21,866,667
HARRIS BANK (BANK OF MONTREAL)	$13,389,123	$6,610,877	$20,000,000
UNITED OVERSEAS BANK LIMITED	$13,333,334	$6,583,333	$19,916,667
AMEGY BANK, N.A.	$13,333,333	$6,583,334	$19,916,667
CITICORP USA INC.	$13,333,333	$6,583,334	$19,916,667
COMPASS BANK	$13,333,333	$6,583,334	$19,916,667
FIRST TENNESSEE BANK, N.A.	$13,333,333	$6,583,334	$19,916,667
THE NORINCHUKIN BANK	$13,333,333	$6,583,334	$19,916,667
U.S. BANK, N.A.	$13,305,439	$6,569,561	$19,875,000
GUARANTY BANK	$11,333,333	$5,595,834	$16,929,167
BANK OF TEXAS N.A.	$10,000,000	$4,937,500	$14,937,500
GE CAPITAL CORPORATION	$10,000,000	$4,937,500	$14,937,500
INTRUST BANK, N.A.	$10,000,000	$4,937,500	$14,937,500
SUN COMMERCIAL BANK LTD.,	$8,000,000	$3,950,000	$11,950,000
RZB FINANCE LLC	$6,666,667	$3,291,666	$9,958,333
UMB BANK, N.A.	$6,666,667	$3,291,666	$9,958,333
WELLS FARGO BANK, N.A.	$6,666,667	$3,291,666	$9,958,333
REGIONS BANK	$4,666,667	$2,304,166	$6,970,833
TOTAL	$400,000,000	$197,500,000	$597,500,000

THIRD AMENDED AGREEMENT, 2006

followed subsequently by four quarterly payments of $37,500,000. The Tranche B loan required three quarterly payments of $1.82 million from December 31st, 2010 until June 30th, 2011. In September 30th, 2011, the company agreed to make four quarterly payments of $172.6 million each. Tranche B was almost a balloon.

In 2010, Rent-A-Center entered into an agreement to borrow $300 million dollars from a consortium

[37] http://www.sec.gov/Archives/edgar/data/933036/000095012310101026/d77466e8vk.htm

of lenders[37]. Bank of New York Mellon serves as the trustee. The 10-year loan requires Rent-A-Center to pay an interest rate of 6.625 percent.

In July 2011, the company announced that it had refinanced its senior credit facility[38]. The new financing included a $500 million revolving line of credit and a $250 million term loan. The company immediately drew down $100 million from the line of credit and coupled that with the proceeds from the term loan to pay down $350 million in existing debt. Lenders included InTrust Bank, N.A., Royal Bank of Canada, Union Bank, N.A., Wells Fargo Bank, N.A., Hua Nan Commercial Bank, HSBC Bank, USA N.A., Fifth Third Bank, Compass Bank, Citibank, N.A., Bank of America, N.A., BOKF, N.A., BB&T, Amegy Bank, N.A., JP Morgan Chase (and as Administrative Agent) and Comerica Bank.

Rent-A-Center sold $300 million in notes a few years back. Currently they trade for less than par value and have a carrying value of $327 million.

In separate agreements, Rent-A-Center's subsidiary ColorTyme Finance, Inc. secured $30 million in financing from Citibank for its franchisees. As well, Texas Capital Bank provided another $20 million in debt to ColorTyme franchisees (Rent-A-Center, 2013).

Board Relationships to Wall Street: InTrust Bank (Vice Chairman of the Board)

CONN'S

Conn's operates 74 retail rent-to-own centers in five states in the South and Southwestern United States. In addition to their chief function in selling consumer durables on installment contracts, they also sell credit insurance, repair service agreements, and installment credit programs. They have assets of approximately $900 million.

Conn's has been able to borrow great sums given their size.

The original extension of credit occurred in August 2008, when a consortium of lenders issued a $210 million revolving loan facility to Conn's. It provided for the possibility that the total amount could be increased to $350 million[39].

BANK OF AMERICA, N.A.	**TOTAL LOAN OF $525 MILLION**
JP MORGAN CHASE BANK, N.A.	
CAPITAL ONE, N.A.	
UNION BANK, N.A.	
COMPASS BANK (NOW BBVA COMPASS)	

Those levels have increased since then. Conn's most recent extension of its credit facility occurred toward the end of March 2013. The total revolving

[38] http://www.faqs.org/sec-filings/110715/RENT-A-CENTER-INC-DE_8-K/d83472exv99w1.htm
[39] http://www.sec.gov/Archives/edgar/data/1223389/000115752308006987/a5758703.txt

loan commitment increased from $450 million to $585 million[40]. The line runs through 2016. The company pays 3.3 percent forfunds drawn on that line. Bank of America acted as the administrative agent and as one of the lenders.

Elsewhere, they have issued $32.3 million in asset-backed notes.

The company says that its overall cost of debt is 5.6 percent.

Conn's is especially dependent upon being able to borrow. They had $378 million in customer accounts receivable on their books at the end of January 2013[41]. That is five times greater than Aaron's[42].

Relationships to Competitors: World Acceptance

Board Relationships to Wall Street: Stephens (Two)

[40] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=8838780-3374-5970&type=sect&dcn=0001157523-12-004964
[41] http://www.sec.gov/Archives/edgar/data/1223389/000114036113015715/form10k.htm
[42] http://www.sec.gov/Archives/edgar/data/706688/000119312513071592/d456615d10k.htm
[43] http://www.sec.gov/Archives/edgar/data/1223389/000115752310006600/a6498285.htm

REFUND ANTICIPATION LOANS

Until recently, refund anticipation loans were commonly available at some tax franchises in locations across the country. RALs were a partnership between a bank and a tax preparer. A bank transferred the advance to the consumer, whereas the preparer was responsible for marketing of the products. However, some of the larger preparers were stabilizing their own cash flows by borrowing money from large banks.

Currently, tax preparers partner with a limited number of small banks to offer refund anticipation checks. The checks do not present the fraud concerns that were associated with refund anticipation loans. However, their cost has risen recently. Now, many companies charge as much for a refund anticipation check as they formerly did for a RAL. There is some relief on the way, however, for consumers without bank accounts. Many stores offer prepaid cards, some of which are free. Others cost less than ten dollars.

LIBERTY TAX

In 2012, Liberty Tax (JTH Holding and subsidiaries) received a line of credit and term loan worth $167.7 million[58].

In August 2013, SunTrust and Liberty agreed to an amendment in the contract[59]. There is an option in the terms of the agreement where under certain

LENDERS TO LIBERTY TAX/JTH HOLDING, 2012	REVOLVING COMMITMENT AMOUNT	TERM LOAN COMMITMENT AMOUNT	COMMITMENT
SUNTRUST BANK	$24,230,769	$5,625,000	$29,855,769
CITIZENS BANK OF PENNSYLVANIA	$25,192,308	$4,687,500	$29,879,808
BANK OF AMERICA, N.A.	$22,253,846	$3,750,000	$26,003,846
BRANCH BANKING AND TRUST COMPANY	$16,153,846	$3,750,000	$19,903,846
FIRST TENNESSEE BANK, N.A.	$16,865,385	$2,812,500	$19,677,885
CAPITAL ONE, N.A.	$15,576,923	$1,875,000	$17,451,923
BMO HARRIS FINANCING, INC.	$15,000,000	$0	$15,000,000
WELLS FARGO BANK, N.A.	$8,076,923	$1,875,000	$9,951,923
TOTAL	$143,350,000	$24,375,000	$167,725,000

[58] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=8991695-6085-35551&type=sect&dcn=0001104659-12-086786

conditions the revolver can be increased to $175 million.

At the end of October 2013, they had drawn $39.7 million on the revolving line of credit. The company reports that the interest rate on the revolving line (a variable rate) was 1.84 percent.

Their indebtedness "is collateralized by substantially all of the assets of the company."

They use borrowings to cash flow the very seasonal nature of their operations. Typically, they have no revolving debt on their books at the end of the tax season. To that point, management buys hedges against fluctuations in interest rates during the period from January to May of each year, as those are the periods of time when they expect to draw on the variable rate line of credit made availabe to them by their lenders.

Board Relationships to Competitors: H&R Block (2)

Board Relationships to Wall Street: Beneficial Bank (Chairman and CEO, Edison Partners (Managing Partners)

JACKSON HEWITT

As recently as 2011, Jackson Hewitt and its subsidiaries amended their longstanding credit agreement with a consortium of lenders led by Wells Fargo. After the 2011 tax season, Jackson Hewitt entered into bankruptcy. Subsequently, its shares were delisted. As a result, any new lending

LENDERS TO JACKSON HEWITT	REVOLVING	NON-REVOLVING	TERM	TOTAL
WELLS FARGO BANK, N.A.	$18,666,667	$12,444,444	$40,000,000	$71,111,111
BANK OF AMERICA, N.A.	$11,666,667	$7,777,778	$25,000,000	$44,444,444
PNC BANK, N.A.	$11,666,667	$7,777,778	$25,000,000	$44,444,444
JPMORGAN CHASE, N.A.	$11,666,667	$7,777,778	$25,000,000	$44,444,444
HSBC BANK USA, N.A.	$7,000,000	$4,666,667	$15,000,000	$26,666,667
FIFTH THIRD BANK	$7,000,000	$4,666,667	$15,000,000	$26,666,667
RBS / CITIZENS BANK	$7,000,000	$4,666,667	$15,000,000	$26,666,667
UNION BANK, N.A.	$7,000,000	$4,666,667	$15,000,000	$26,666,667
CAPITAL ONE, N.A.	$7,000,000	$4,666,667	$15,000,000	$26,666,667
BANK OF IRELAND	$5,833,333	$3,888,889	$12,500,000	$22,222,222
TD BANK, N.A.	$5,833,333	$3,888,889	$12,500,000	$22,222,222
CITIBANK, N.A.	$4,666,667	$3,111,111	$10,000,000	$17,777,778
TOTAL	$225,000,000	$105,000,000	$70,000,000	$400,000,000

[59] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=9486537-5780-38276&type=sect&dcn=0001104659-13-067077
[60] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=5513291-3707-5018&type=sect&TabIndex=2&companyid=627044&ppu=%252fdefault.aspx%253fcompanyid%253d627044
[61] http://yahoo.brand.edgar-online.com/displayfilinginfo.aspx?FilingID=7219906-9702-85167&type=sect&dcn=0001193125-10-103116

agreements are not publicly available.

The original agreement, signed in 2007, provided for a credit facility of $450 million[60]. In May 2009, after the suspension of the debt indicator, their revolving credit line was reduced to $105 million and their term loan was set at $225 million. They attached a much higher rate of interest (LIBOR plus 11 percent) to the new agreement.

On April 30th, 2010, the parties agreed to $400 million in financing.

The lending was contingent upon the ability of Jackson Hewitt to have a tax refund loan product. The restated agreement[61] included new covenants which allowed Wells to call the entire outstanding debt if Jackson Hewitt lost access to a refund anticipation loan product. These terms meant that the agreement was made contingent on the use of refund anticipation loans. The original financing was negotiated by Wachovia Bank.

Note: Jackson Hewitt shares were delisted in 2012. Since then, they have not released a proxy filing. The composition of the Board of Directors may have changed since

Board Relationships to Wall Street: Legg Mason (Director), Fifth Third Bank (Director), Baringo Capital (Managing Director)

THE TEN LARGEST LENDERS TO HIGH-COST CREDITORS

BANK	AMOUNT
WELLS FARGO BANK, N.A.	$1,229,729,700
BANK OF AMERICA, N.A.	$557,314,957
CAPITAL ONE BANK, N.A.	$308,333,334
BANK OF MONTREAL	$305,000,000
UNION BANK, N.A.	$208,125,001
JP MORGAN CHASE BANK, N.A.	$205,211,111
BOKF, N.A.	$190,104,167
FIRST TENNESSEE BANK, N.A.	$160,583,334
CITIBANK, N.A.	$155,472,223
U.S. BANK, N.A.	$149,041,667

CONCLUSION

THE ROOT OF ALL THINGS HIGH-COST IS WALL STREET

1. Absent a bank charter and facing a business model with high losses and high customer acquisition costs, high-cost lenders require access to capital in order to stay liquid.

2. Most of the banks providing credit to these firms are national banks regulated by the Office of the Comptroller of the Currency.

3. Banks make billions of dollars in loans to these companies.

4. Many of the leaders of these companies are currently or were formerly top executives or Board Directors of Wall Street banks.

DIVEST!

The high-cost debt merchants on Main Street strip wealth from lower-income households. They push consumer protection laws to the limits. In some cases, they violate them. Yet our banks continue to fund these high-cost retail lenders.

The shame of it all is that these banks could walk away from this line of business without any material impact to their profitability. The interest that would be foregone from divestiture would make little or no difference to a group of banks that together have trillions in assets on their balance sheets.

But if the banks do not want to divest, their regulator should make them do so.

The Office of the Comptroller of the Currency regulates nine of the ten largest banks lending in this space. The top five – Wells Fargo, Bank of America, JPMorgan Chase, Capital One, and Union Bank – all operate under the oversight of the OCC. The agency's recent rulemaking on the deposit advance products marketed by several of its banks shows it will intervene to stop a bad product,

The OCC should recognize that lending by their members to these companies is a pressing problem. These agency should recognize that these lending practices pose a serious risk to the reputations of the banks under its supervision.

The OCC should ask banks to divest on the grounds that it poses a reputational risk.

COMPANY	AFTER-TAX COST OF CAPITAL
AARON'S	5.23%
AMERICA'S CAR MART	5.11%
CASH AMERICA	4.95%
COMMUNITY CHOICE FINANCIAL	6.50%
CONN'S	5.35%
CONSUMER PORTFOLIO SRVCS.	5.18%
CREDIT ACCEPTANCE	4.82%
DFC GLOBAL	7.09%
EZCORP	8.38%
FIRST CASH FINANCIAL	6.86%
LIBERTY TAX	6.87%
QC HOLDINGS	5.92%
REGIONAL MANAGEMENT	5.83%
RENT-A-CENTER	6.77%
WHITE RIVER CAPITAL	5.19%
WORLD ACCEPTANCE	5.86%

ASSUMPTIONS

RISK-FREE RATE: 2.80 PERCENT (CBOE TEN YEAR TREASURY)

EQUITY RISK PREMIUM: 6.5 PERCENT (AMERICAN APPRAISAL INST.)

1 YEAR LIBOR: (BRITISH BANKER'S ASSOCIATION)

1 MONTH LIBOR (BRITISH BANKER'S ASSOCIATION)

BASED ON THE CAPITAL ASSET PRICING MODEL.