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1983

ANNUAL REPORT

OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

Year Ended December 31, 1983

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ANNUAL REPORT

OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

Year Ended December 31, 1983

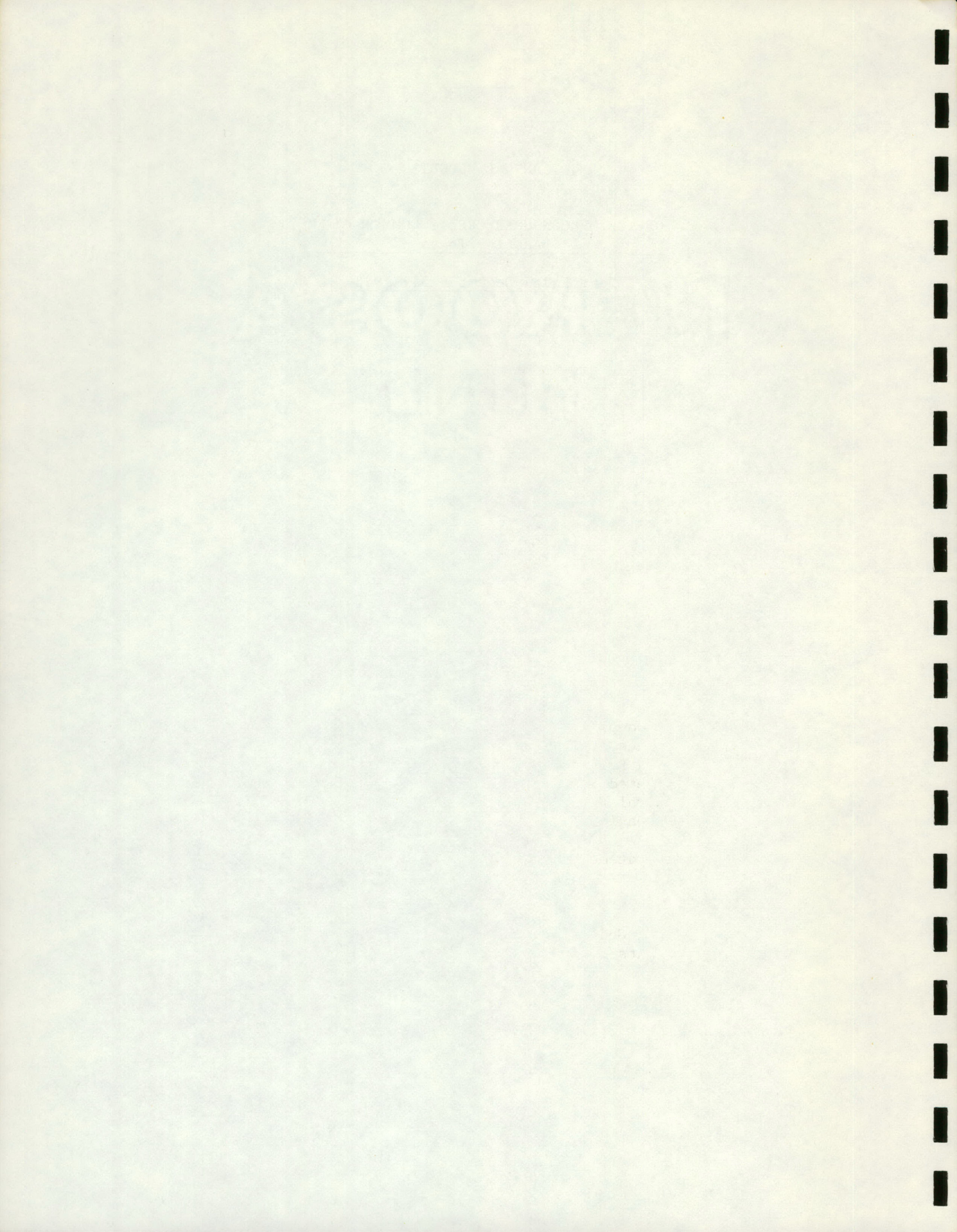
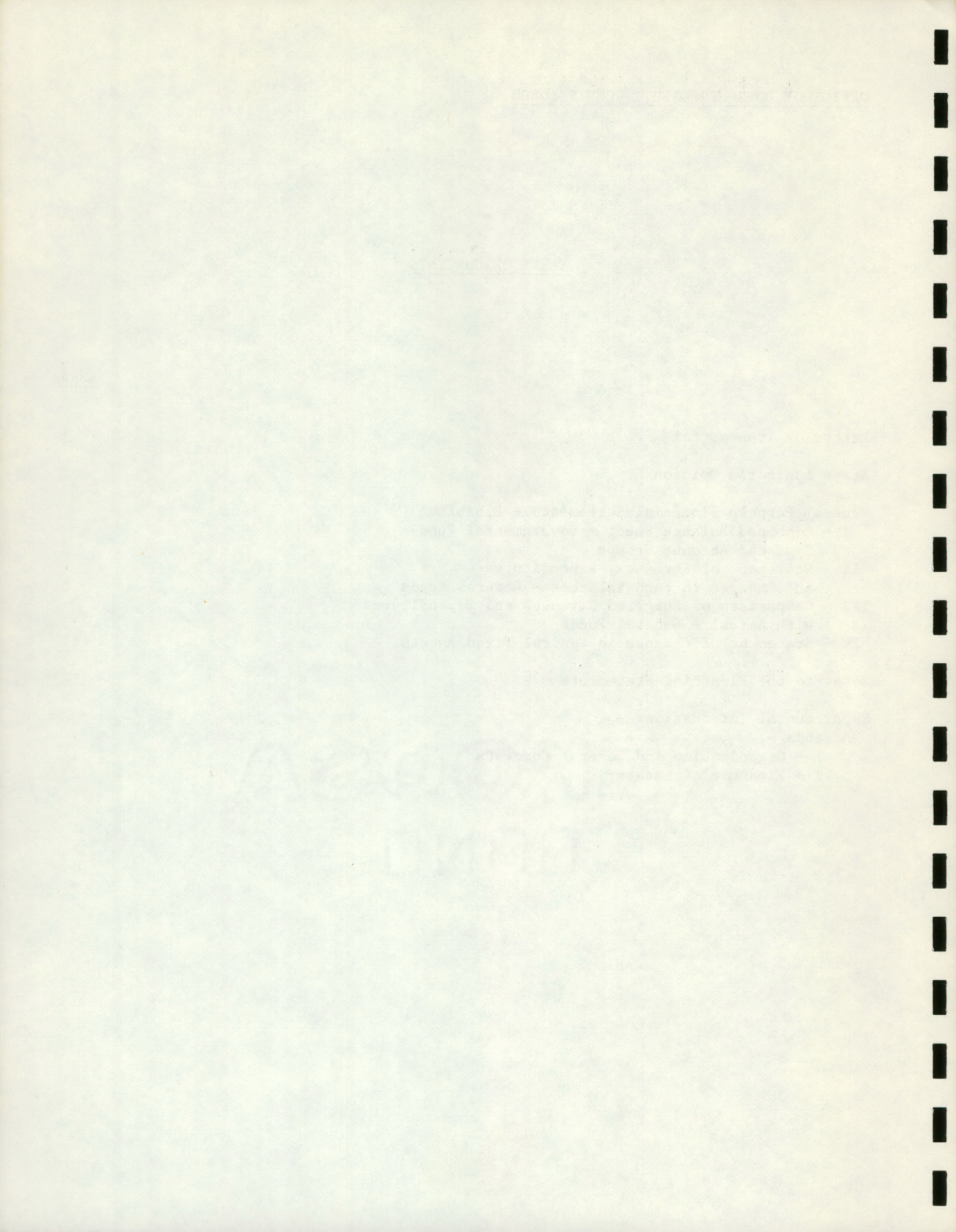


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STATE OF TEXAS

OFFICE OF CONSUMER CREDIT COMMISSIONER

SAM KELLEY, Commissioner

1011 SAN JACINTO (512)475-2111
POST OFFICE BOX 2107 (214)263-2016
AUSTIN, TEXAS 78768 (713)461-4074

April 6, 1984

The Honorable Mark White
Governor of Texas
State Capitol Building
Austin, Texas

Dear Governor White:

The State Finance Commission has requested that I submit to you on their behalf, a full and complete report of the receipts and disbursements of the Office of Consumer Credit Commissioner for the calendar year 1983, as required by Article 5069-2.02(2), the Texas Credit Code.

If you have any questions concerning the enclosed data or if you desire any additional information, please let me know.

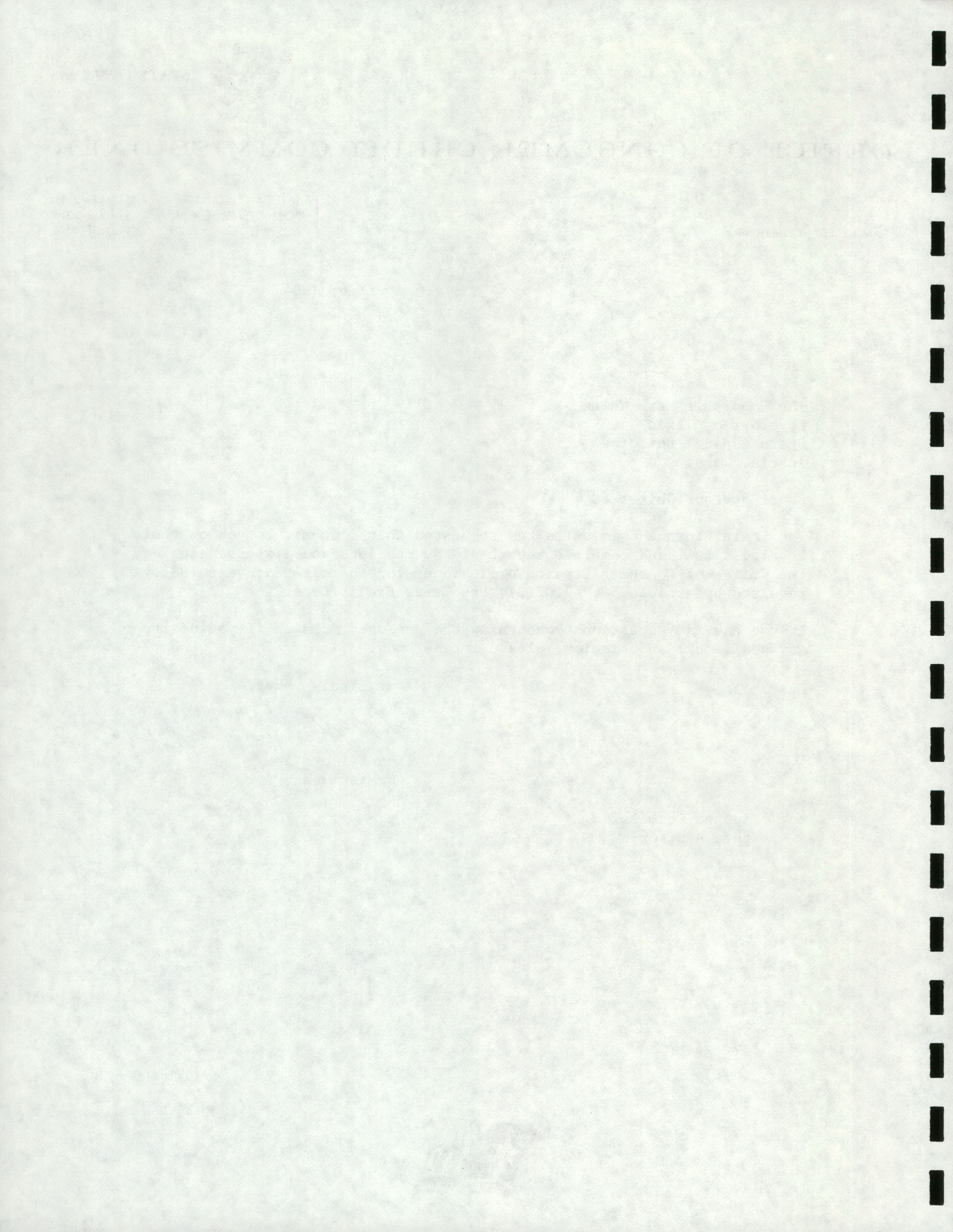
Very truly yours,

A handwritten signature in cursive script that reads "Sam Kelley".

Sam Kelley
Commissioner

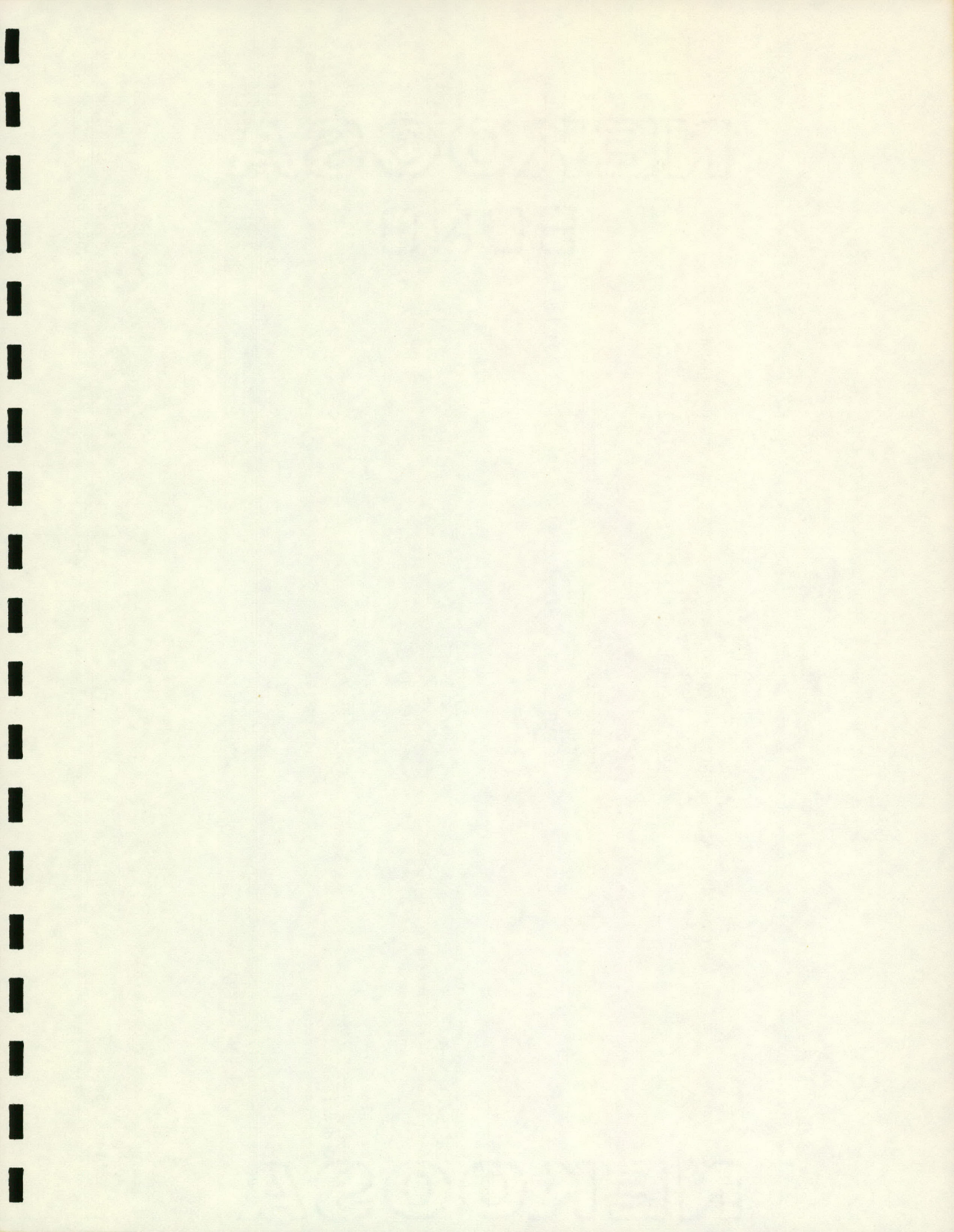
cc: Finance Commission
State Auditor





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for
State Auditor's Opinion

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OFFICE OF CONSUMER CREDIT COMMISSIONER
Austin, Texas

EXHIBIT I

COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS
December 31, 1983
(With Comparative Memorandum Totals - December 31, 1982)

<u>ASSETS</u>	Governmental Fund Type - <u>General</u>	<u>Account Groups</u>		<u>Memorandum Totals</u>	
	\$	General Fixed Assets	General Long- Term Obligations	1983	1982
	\$	\$	\$	\$	\$
<u>Current Assets</u>					
Cash:					
Petty Cash Fund - On Hand	25.00			25.00	25.00
In Local Bank					97,166.39
Investments - Certificates of Deposit and Time Deposits	950,000.00			950,000.00	800,000.00
Receivables:					
Examination Fees	20,252.00			20,252.00	18,296.00
Other Fees					92.50
Accrued Interest	8,288.42			8,288.42	15,783.88
Prepaid Expenses	9,652.09			9,652.09	7,816.56
Deposit - Universal Air Travel Card	425.00			425.00	450.00
Total Current Assets	<u>988,642.51</u>	<u>-</u>	<u>-</u>	<u>988,642.51</u>	<u>939,630.33</u>
<u>Fixed Assets</u>					
Furniture and Equipment		63,733.73		63,733.73	61,133.91
Automobiles		64,249.56		64,249.56	64,249.56
Library Books		12,396.80		12,396.80	10,922.33
Total Fixed Assets	<u>-</u>	<u>140,380.09</u>	<u>-</u>	<u>140,380.09</u>	<u>136,305.80</u>

Other Debits

Resources to be provided in future years			68,968.80	68,968.80	60,545.06
Total Assets	988,642.51	140,380.09	68,968.80	1,197,991.40	1,136,481.19

LIABILITIES AND FUND EQUITYCurrent Liabilities

Bank Overdraft	37,695.82			37,695.82	8,012.45
Accounts Payable	15,858.61			15,858.61	-
Refunds Due to Remitters	50.00			50.00	22.00
Deferred Credit - Unprocessed Receipts	3,100.00			3,100.00	5,775.00
Unearned License Fees	307,650.00			307,650.00	320,035.00
Unearned Newsletter Subscriptions	44,816.90			44,816.90	46,428.36
Total Current Liabilities	409,171.33	-	-	409,171.33	380,272.81

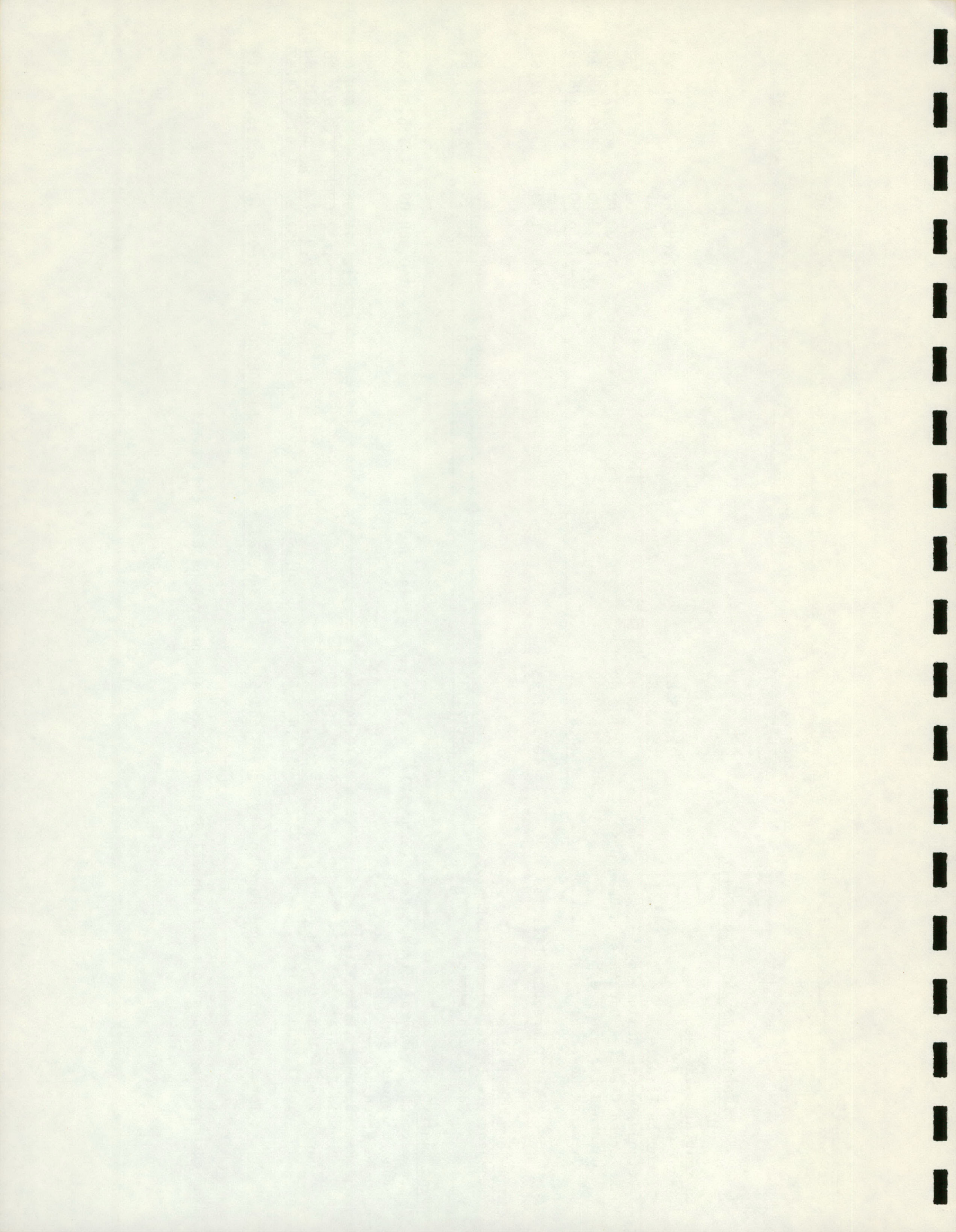
Long-Term Liabilities

Compensable Leave Balance of Employees			68,968.80	68,968.80	60,545.06
Total Liabilities	409,171.33	-	68,968.80	478,140.13	440,817.87

Fund Equity

Investment in General Fixed Assets (Exh. IV)		140,380.09		140,380.09	136,305.80
Fund Balances:					
Reserved for -					
Encumbrances (Exh. III)	12,844.36			12,844.36	670.00
Prepaid Expenses	9,652.09			9,652.09	7,816.56
Unreserved - Undesignated	556,974.73			556,974.73	550,870.96
Total Fund Equity	579,471.18	140,380.09	-	719,851.27	695,663.32
Total Liabilities and Fund Equity	988,642.51	140,380.09	68,968.80	1,197,991.40	1,136,481.19

The accompanying Notes to the Financial Statements are an integral part of this exhibit.



OFFICE OF CONSUMER CREDIT COMMISSIONER

EXHIBIT II

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GENERAL FUNDS
Years Ended December 31, 1983 and 1982

	<u>1983</u>	<u>1982</u>
	\$	\$
Revenues:		
Fees -		
License	350,855.00	352,705.00
Examination	540,078.00	572,178.00
Investigation (Licensing)	39,450.00	49,400.00
Other	38,160.17	35,961.21
Publications	167,785.52	102,976.76
Depository Interest	74,886.64	86,784.59
	<u>1,211,215.33</u>	<u>1,200,005.56</u>
Total Revenues		
Expenditures:		
Current Operating -		
Finance Commission - Travel	264.12	
Salaries and Wages	723,629.15	672,775.09
Professional Fees	273.40	1,039.80
Retirement Contributions and Related Costs	58,203.25	54,184.25
Social Security Contributions -		
Regular	44,618.86	41,193.84
Per S.B. 20, 65th Leg., Reg. Sess. (1977)	24,762.95	24,735.83
Insurance Premiums - State's Portion	22,513.96	18,578.93
Travel	51,340.46	49,310.24
Automobile Expense	16,150.74	15,859.16
Maintenance and Repair of Office Equipment	2,814.10	1,979.00
Office Supplies	7,589.87	3,341.56
Printing and Printing Supplies	16,165.32	6,347.65
Rentals -		
Office Equipment	16,930.24	5,091.57
Office Space and Parking	64,056.57	44,074.15
Automobiles	4,597.22	4,774.71
Postage and Express	40,139.16	31,182.65
Telephone	14,856.90	15,633.85
Publications and Periodicals	3,967.15	2,110.20
Liability Insurance Premiums - Office Space	330.00	260.00
Bad Debt Expense	864.00	554.00
Annual Audit - Office of the State Auditor	3,458.31	2,928.45
Miscellaneous	593.30	68.11
	<u>1,118,119.03</u>	<u>996,023.04</u>
Total Current Operating Expenditures		

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OFFICE OF CONSUMER CREDIT COMMISSIONER

EXHIBIT II

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GENERAL FUNDS
Years Ended December 31, 1983 and 1982
(concluded)

	<u>1983</u>	<u>1982</u>
	\$	\$
Expenditures: (concluded)		
Acquisition of Fixed Assets -		
Automobiles		30,298.76
Furniture and Equipment	6,964.00	2,046.56
Library Books	<u>1,541.00</u>	<u>1,072.00</u>
Total Acquisition of Fixed Assets (Exh. IV)	<u>8,505.00</u>	<u>33,417.32</u>
Total Expenditures	<u>1,126,624.03</u>	<u>1,029,440.36</u>
Excess of Revenues over Expenditures (Exh. III)	84,591.30	170,565.20
Other Financing Sources (Uses):		
Transfer to Finance Commission Building Account	(66,313.17)	
Increase (Decrease) in Reserve for Prepaid Expenses	<u>1,835.53</u>	<u>(3,576.46)</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	20,113.66	166,988.74
<u>Fund Balances</u> - Beginning	<u>559,357.52</u>	<u>392,368.78</u>
<u>Fund Balances</u> - Ending	<u><u>579,471.18</u></u>	<u><u>559,357.52</u></u>

The accompanying Notes to the Financial Statements are an integral part of this exhibit.

OFFICE OF CONSUMER CREDIT COMMISSIONER

EXHIBIT III

COMPARISON OF BUDGETED REVENUES AND
EXPENDITURES WITH ACTUAL - GENERAL FUNDS
Year Ended December 31, 1983

	<u>Revenues and Expenditures</u>		<u>Encumbrances</u>
	<u>Budgeted</u>	<u>Actual</u>	
	\$	\$	\$
Revenues:			
Fees -			
License	355,000.00	350,855.00	
Examination	575,000.00	540,078.00	
Investigation (Licensing)	40,000.00	39,450.00	
Other	12,000.00	38,160.17	
Publications	108,000.00	167,785.52	
Depository Interest	75,000.00	74,886.64	
	<hr/>	<hr/>	
Total Revenues	1,165,000.00	1,211,215.33	-
	<hr/>	<hr/>	
Expenditures (A):			
Current Operating -			
Finance Commission - Travel	500.00	264.12	
Salaries and Wages	755,895.00	723,629.15	
Professional Fees	1,000.00	273.40	
Retirement Contributions and Related Costs	58,300.00	58,203.25	
Social Security Contributions	70,100.00	69,381.81	
Insurance Premiums - State's Portion	22,700.00	22,513.96	
Travel	54,000.00	51,340.46	
Automobile Expense	17,000.00	16,150.74	
Maintenance and Repair of Office Equipment	3,500.00	2,814.10	244.83
Office Supplies	7,700.00	7,589.87	14.17
Printing and Printing Supplies	16,300.00	16,165.32	
Rentals -			
Office Equipment	17,100.00	16,930.24	
Office Space	64,100.00	64,056.57	
Automobiles	5,500.00	4,597.22	
Postage and Express	40,800.00	40,139.16	
Telephone	16,000.00	14,856.90	
Publications and Periodicals	5,000.00	3,967.15	76.80
Liability Insurance Premiums - Office Space	350.00	330.00	
Bad Debt Expense	1,000.00	864.00	
Annual Audit - Office of the State Auditor	3,700.00	3,458.31	
Reimbursable Unemployment Benefits	500.00		
Miscellaneous	700.00	593.30	
	<hr/>	<hr/>	
Total Current Operating Expenditures	1,161,745.00	1,118,119.03	335.80
	<hr/>	<hr/>	

Variance -

Favorable
 (Unfavorable)

\$

4,145.00
 34,922.00
 550.00
 (26,160.17)
 (59,785.52)
113.36

(46,215.33)

235.88
 32,265.85
 726.60

96.75
 718.19
 186.04
 2,659.54
 849.26
 441.07
 95.96
 134.68

169.76
 43.43
 902.78
 660.84
 1,143.10
 956.05
 20.00
 136.00
 241.69
 500.00
106.70

43,290.17

OFFICE OF CONSUMER CREDIT COMMISSIONER

EXHIBIT III

COMPARISON OF BUDGETED REVENUES AND
EXPENDITURES WITH ACTUAL - GENERAL FUNDS
Year Ended December 31, 1983
(concluded)

	<u>Revenues and Expenditures</u>		<u>Encumbrances</u>
	<u>Budgeted</u>	<u>Actual</u>	
	\$	\$	\$
Expenditures: (concluded)			
Acquisition of Fixed Assets -			
Furniture and Equipment	29,800.00	6,964.00	12,508.56
Library Books	<u>1,700.00</u>	<u>1,541.00</u>	
Total Acquisition of Fixed Assets	<u>31,500.00</u>	<u>8,505.00</u>	<u>12,508.56</u>
Total Expenditures	<u>1,193,245.00</u>	<u>1,126,624.03</u>	<u>12,844.36</u>
Excess (Deficit) of Revenues over Expenditures	<u>(28,245.00)</u>	<u>84,591.30</u> (Exh. II)	<u>12,844.36</u> (Exh. I)

Note A: The Office of Consumer Credit Commissioner is authorized to exceed individual categories, but not the overall budget unless approval is received from the Finance Commission.

The accompanying Notes to the Financial Statement are an integral part of this exhibit.

Variance -
Favorable
(Unfavorable)

\$

10,327.44
159.00

10,486.44

53,776.61

99,991.94

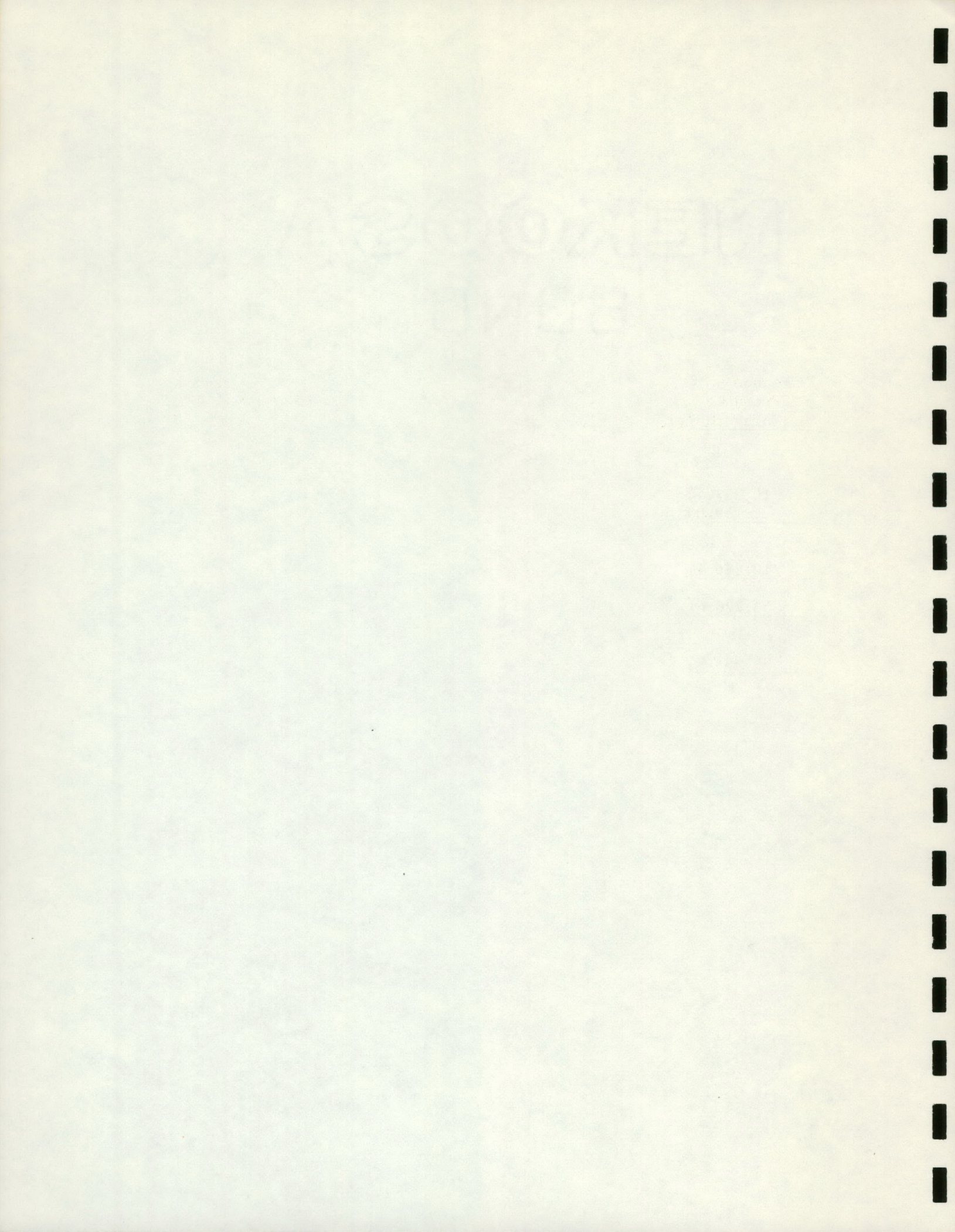


EXHIBIT IV
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Year Ended December 31, 1983

	Furniture and Equipment	Automobiles	Library Books	Totals
	\$	\$	\$	\$
<u>Balances - January 1, 1983</u>	61,133.91	64,249.56	10,922.33	136,305.80
Additions:				
Purchases (Exh. II)	6,964.00		1,541.00	8,505.00
Deletions:				
Sold	4,364.18			4,364.18
Valuation Adjustments (A)			66.53	66.53
Total Deletions	4,364.18		66.53	4,430.71
Net Increase (Decrease)	2,599.82		1,474.47	4,074.29
<u>Balances - December 31, 1983</u>	<u>63,733.73</u>	<u>64,249.56</u>	<u>12,396.80</u>	<u>140,380.09</u> (Exh. I)

Note A - Valuation Adjustments consist of deletions of library volumes replaced by revised editions.

The accompanying Notes to the Financial Statements are an integral part of this exhibit.

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OFFICE OF CONSUMER CREDIT COMMISSIONERNOTES TO THE FINANCIAL STATEMENTSNote 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as established by the National Council on Governmental Accounting and the American Institute of Certified Public Accountants. The accompanying statements include the fund and account groups that are controlled by the Office of Consumer Credit Commissioner.

B. Fund Structure and Basis of Accounting - The accompanying financial statements are structured into one category of funds designated as General Funds and account groups consisting of general fixed assets and general long-term obligations. General Funds represent those funds which are used to account for all of the financial transactions applicable to operations of the Office. The account groups are self-balancing and do not involve the measurement of results of operations. Funds administered by the Office are accounted for on the modified accrual basis of accounting. In applying the modified accrual basis, revenues are recognized when they become measurable and available, except for publications revenue which is recognized as revenue through a proration of amounts collected throughout the subscription period covered by the remittance. Expenditures are recognized at the time liabilities are incurred. A modification to this general rule for expenditure recognition relates to compensable absences expenditures which are not recognized until events occur which make payments

OFFICE OF CONSUMER CREDIT COMMISSIONER

necessary. The cost of fixed assets and prepaid expenses are recorded as expenditures of the period in which acquired. Encumbrances outstanding at year-end are reported as reservations of the fund balance available for subsequent year expenditure.

C. Budget - The Office's annual budget is authorized by the State Finance Commission. Unreserved - Undesignated General Funds at year end represent funds available for financing subsequent years' operations again subject to budgetary approval by the State Finance Commission.

D. Cash - Included in this classification are the petty cash fund maintained at the Office and the operating and imprest payroll accounts maintained in a local bank.

E. Receivables - Amounts due the Office represent earned but uncollected examination fees, accrued interest on certificates of deposit which have yet to mature and miscellaneous fees related to publication sales and address changes by licensees.

F. Prepaid Expenses - Items included as prepaid expenses consist of inventories of office, printing, automotive and postage supplies as determined by a physical count at year-end and the unexpired portions of the surety bond premium, liability insurance premium, prepaid equipment rental and library subscriptions at the balance sheet date. The inventories of all supplies are valued at

cost. All prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

G. Fixed Assets - All fixed assets of the Office are recorded in this account group. Fixed asset purchases are included in expenditures as they represent the use of general resources. Assets are recorded at cost, or an appropriate appraised market value, if acquired other than by purchase with an offsetting addition to an "invested" fund equity. There is no provision for depreciation of fixed assets in the accounts.

H. Deferred Revenue - License fees and newsletter subscription remittances are generally received in advance of the period of time for which the fee applies. These receipts are recorded initially as deferred revenue and recognized as revenue by prorating the fees received on a monthly basis throughout the period of time covered by the remittance.

I. Fund Equity - The Office's fund balance reserves identify those portions of fund balances which are not appropriable for expenditure or are legally segregated for a specific future use. In the accompanying Combined Balance Sheet, the reserve for prepaid expenses is an example of the former. The reserve for encumbrances is an example of the latter. The unreserved - undesignated portion represents resources available to finance operations of the next fiscal year, subject to budgetary approval by the State Finance Commission.

J. Memorandum Total Columns - The memorandum total columns on the Combined Balance Sheet are included for supplementary analysis purposes. This

OFFICE OF CONSUMER CREDIT COMMISSIONER

data does not purport to present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Note 2 CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of changes in employees' combined annual and compensatory leave balances, which reflect employees' accrued rights to future compensated absences. Changes and balances are stated in terms of hours:

<u>Compensable Leave Hours</u> - January 1, 1983	4046.00
Leave Hours Earned	5194.50
Leave Hours Compensated:	
By Time Off	(5085.50)
By Monetary Payment	(25.50)
Leave Hours Lost	-0-
<u>Compensable Leave Hours</u> - December 31, 1983	<u>4129.50</u>

The Office's monetary liability for compensable future absences as of December 31, 1983, as computed by multiplying the employee's ending balance by the employee's year-end hourly salary rate, was \$68,968.80.

Note 3 - DEFERRED COMPENSATION

The State's Deferred Compensation Plan allows employees to defer a portion of their salaries for income tax purposes. During 1983 four employees participated in the plan deferring \$25,328.40. A net total of \$95,878.40 has been deferred since inception of the program for employees participating at December 31, 1983.

Note 4 - EMPLOYEES RETIREMENT SYSTEM

The Office participates in a joint contributory retirement plan for its employees administered by the Employees Retirement System of Texas. The

retirement expense to the Office is limited to statutorily defined state contributions at the rate of eight percent of employee salaries. Each employee also contributes six percent of his/her salary each month, through payroll deductions. Retirement expense to the Office during the period covered by this report, as reflected in Exhibit II, was \$58,203.25.

The Employees Retirement System of Texas does not separately account for each of its component governmental agencies, since the Retirement System itself bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of August 31, 1982, the present value of the Retirement System's actual and projected liabilities, including projected benefits payable to its retired and active members and their beneficiaries, was in excess of the assets of the Retirement System. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 28.6 years. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the Retirement System's annual financial report.

Note 5 - CONTINGENT LIABILITY

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid only to the estate of an employee in the event of his/her death. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The cost of sick leave is recognized when paid and the liability is not recorded in the General Long-Term Obligation Account Group since experience indicates the likely

OFFICE OF CONSUMER CREDIT COMMISSIONER

expenditure for sick leave settlements to be minimal. The amount of this contingent liability at December 31, 1983 has been determined to be \$80,030.43; however, the probable effect on any given year's operation is not believed to be significant.

Note 6 - COMMITMENTS

The Office, together with the other Finance Commission agencies, is committed to a share of the architect and construction costs associated with expanding the Banking Department Building at 2601 North Lamar in Austin. Total authorized expenditures are \$500,000.00 with construction to be completed from August 1983 to December 1984. At December 31, 1983 the Office had transferred \$66,313.17 to the Finance Commission Building Account from which construction and related costs are paid.

Note 7 - CONTINUANCE SUBJECT TO REVIEW

In accordance with the Texas Sunset Act, S.B. 54, 65th Leg., Reg. Sess. (1977), the Office of Consumer Credit Commissioner shall cease to exist on September 1, 1983, unless continued by action of the Sixty-eighth legislature. S.B. 405, 68th Leg., Reg. Sess. (1983) continued the operations of the Office of Consumer Credit Commissioner to September 1, 1995. This Act requires that, effective September 1, 1985, the Office deposit monies to the Office of Consumer Credit Commissioner Expense Fund in the State Treasury. This fund is to be used for the administration of S.B. 405. Should the Office be abolished in 1995, it would have one additional year to operate to finalize its affairs.

OFFICE OF CONSUMER CREDIT COMMISSIONER

ADDENDUM I

ORGANIZATION AND GENERAL COMMENTS

The Sixtieth Legislature enacted H.B. 452 establishing the Office of Consumer Credit Commissioner in 1967 as successor to the Office of Regulatory Loan Commissioner. The State Finance Commission oversees the operations of the Office of Consumer Credit Commissioner as well as the State Department of Banking and the Savings and Loan Department of Texas. The Banking Code created the nine-member Finance Commission in 1943. Sunset legislation expanded the Commission to twelve members in 1983. The members are appointed by the Governor with the consent of the Senate to serve six-year overlapping terms. The Commission is segmented, by statute, into a six-member banking section, a three-member savings and loan section and a three-member consumer credit section. The consumer credit section consists of the three new Commission positions created in 1983. Finance Commission members serving at December 31, 1983 are listed on the following page.

Finance Commission members are reimbursed for actual travel expense incurred while on state business. In recent years, these payments have been made by the respective Department to which the members are assigned.

The Consumer Credit Commissioner is selected by the Finance Commission and serves at the Commission's pleasure. Mr. Sam L. Kelley has served as Commissioner since May 12, 1970.

OFFICE OF CONSUMER CREDIT COMMISSIONERSTATE FINANCE COMMISSION

<u>Name</u>	<u>Profession and Location (Texas)</u>	<u>Term Expires</u>
Banking Section:		
Ronald L. Kellett	Corporate Controller, King Ranch, Inc., Kingsville	2-1-85
Carroll N. Sullivan	Vice Chairman, Cove State Bank, Copperas Cove	2-1-85
Cullen R. Looney (A)	Attorney, Kelley, Looney, Alexander and Monroe, Edinburg	2-1-87
Gerald H. Smith	Chairman, Executive Committee, Allied Bank of Texas, Houston	2-1-87
Ruben H. Johnson (B)	Chairman, United Bank of Texas, Austin	2-1-89
Phillip G. Newson (C)	President, Ennis State Bank, Ennis	2-1-89
Consumer Credit Section: (D)		
Alan Lerner	Senior Executive Vice President, Associates Corporation of North America, Dallas	2-1-85
Leopoldo Palacios	Owner, Personal Loan Company, Pharr	2-1-87
Richard H. Skinner	President, First General Realty, Houston	2-1-89
Savings & Loan Section:		
B. Hutch Carter	President, First City Savings Assn., Euless	2-1-85
Harvey R. Mitchell (E)	President, Interfirst Bank Dallas, N.A., Dallas	2-1-87
Ralph D. Reed (F)	Executive Vice President, BrazosBanc Savings and Loan Association of Texas, Bryan	2-1-89

Note A: Mr. Looney was appointed on September 13, 1983 to succeed Mr. V.F. Neuhaus who died August 10, 1983.

Note B: Mr. Johnson was appointed on August 18, 1983 to succeed Mr. Raymond L. Thompson whose term had expired.

Note C: Mr. Newson was appointed July 18, 1983 to succeed Mr. James Ross Avant whose term had expired.

Note D: Messrs. Lerner, Palacios and Skinner were appointed October 12, 1983; October 19, 1983 and September 13, 1983, respectively, to newly-created positions on the Commission.

Note E: Mr. Mitchell resigned from the Commission February 1, 1984. A successor has not been designated.

Note F: Mr. Reed was appointed May 20, 1983 to succeed Mr. E. Michael Lallinger whose term had expired.

The Office of Consumer Credit Commissioner regulates lenders, including pawnbrokers engaged in the business of making loans with cash advances of \$7,000.00 or less, and enforces other lending and installment sales financing provisions of the Texas Credit Code. Specific duties performed by this agency consist of:

1. Examining prospective lender licensees to ensure that acceptable standards of character, financial responsibility and business experience are met.
2. Examining lender licensees to ensure compliance with the Texas Credit Code.
3. Receiving, examining and compiling data from Annual Reports of regulated loan licensees.
4. Processing annual license renewals.
5. Investigating complaints and preparing for prosecution cases involving violations of the Texas Credit Code.
6. Offering debt counseling and consumer credit education.

To perform its various duties, the Commissioner appoints a staff to which he delegates specific responsibilities. The administrative and key personnel of the Office of Consumer Credit Commissioner at December 31, 1983 are listed here:

<u>Name</u>	<u>Title</u>	<u>Annual Salary Rate at December 31, 1983(A)</u>
Sam L. Kelley	Commissioner	\$61,308.00
Edgar L. Scott	Assistant Commissioner	47,832.00
Albert C. Endsley	Assistant Commissioner	47,832.00
Allo B. Crow, Jr.	Chief Counsel	48,024.00
John L. Burgess	Director, Consumer Protection Division	32,796.00
Edward J. Stalnaker	Supervising Examiner	33,912.00
E. Kyle Boatright	Supervising Examiner	33,252.00

Note A: Annual Salary Rates include longevity payments.

OFFICE OF CONSUMER CREDIT COMMISSIONER

The Office is organized into three divisions. The duties and responsibilities applicable to each division are briefly described in the following paragraphs.

Consumer Education and Protection Division

The educational duties of this division involve informing the public about consumer credit laws through lectures, publications and the encouragement of debt counseling services. In addition, this division receives consumer complaints and conducts investigations for possible violations of the Texas Credit Code. When major violations are discovered, evidence is gathered and presented to the State's Attorney General for prosecution.

Examination Division

This division reviews lender licensees to ensure compliance with the provisions of the Texas Credit Code. A total of 1,762 examinations were made during 1983 compared to 1,859 in 1982. The 1983 examinations resulted in the refund of \$90,712.28 to borrowers by 874 licensees as compared to refunds of \$107,533.72 by 939 licensees during 1982. Due to supplemental reviews, additional refunds in excess of \$33,616.59 relative to the 1983 year are to be made by 137 licensees. These repayments represent corrections of insufficient refunds, excessive or unauthorized charges of various types and insufficient payment of insurance claims. The division also made 20 examinations of licensees of the Texas Amusement Machine Commission who made extensions of credit.

OFFICE OF CONSUMER CREDIT COMMISSIONER

ADDENDUM II

FINANCIAL COMMENTS

The financial position of the Office of Consumer Credit Commissioner at December 31, 1983, together with comparative totals at December 31, 1982, is presented in Exhibit I. The revenues, expenditures, and changes in fund balances applicable to each of the years then ended are summarized in Exhibit II. Exhibit III presents a comparison of budgeted revenues and expenditures with actual. Exhibit IV summarizes general fixed asset activity by type of asset and type of change. The following comments relate to certain balance sheet accounts shown on Exhibit I.

GENERAL FUNDSPetty Cash Fund

The \$25.00 petty cash fund is kept on hand for making small incidental purchases and is reimbursed periodically from cash in a local bank account.

Cash in Local Bank

The Office's operations are financed by receipts deposited in local bank accounts. During 1983, the Office's operating bank accounts were maintained at Travis Bank and Trust, Austin, Texas. The operating account is set up as a NOW account and earned interest of \$3,688.36 for the year then ended. The operating account had a negative balance on the Office's books at December 31, 1983, which is shown and discussed in the liability section. The payroll account is cleared at the end of each month.

A portion of the fees deposited in the operating account were classified as items held in suspense at December 31, 1983. Upon completing the processing

OFFICE OF CONSUMER CREDIT COMMISSIONER

of the applications, the fees will be cleared to the proper account as revenue or deferred revenue or returned to the remitter. The financial activity applicable to items held in suspense during the reporting period are summarized below:

	Year Ended December 31,	
	1983	1982
	\$	\$
<u>Balances - Beginning</u>	5,775.00	4,595.00
Add:		
Deposits	<u>13,557.00</u>	<u>20,285.00</u>
Total Available	<u>19,332.00</u>	<u>24,880.00</u>
Deduct:		
Refunds to Remitters	2,883.83	5,028.00
Cleared to Revenue, Deferred Revenue or Accounts Receivable	<u>13,349.00</u>	<u>14,077.00</u>
Total Deductions	<u>16,232.00</u>	<u>19,105.00</u>
<u>Balances - Ending (Exh. I)</u>	<u>3,100.00</u>	<u>5,775.00</u>

Items held in suspense at December 31, 1983 and 1982 were aged as follows:

	December 31,	
	1983	1982
	\$	\$
1-30 days	1,050.00	2,025.00
31-60 days	350.00	900.00
61-90 days	250.00	450.00
Over 90 days	<u>1,450.00</u>	<u>2,400.00</u>
Totals	<u>3,100.00</u>	<u>5,775.00</u>

In order to purchase savings bonds for those employees participating in the savings bond program, the Office of Consumer Credit Commissioner deducted \$3,150.00 during 1983 and \$2,850.00 during 1982, from payroll checks and transacted these deductions and purchases through the operating account.

Investments

The Office invests operating funds in excess of anticipated short term needs in certificates of deposit or a time open account. Pertinent information relating to invested funds belonging to the Office at December 31, 1983 and 1982 is presented here:

Bank (Austin)	December 31, 1983		December 31, 1982	
	Interest Rate	Amount \$	Interest Rate	Amount \$
Travis Bank and Trust - Time Open	9.30%	550,000.00	8.76%	400,000.00
Republic Bank, Austin	9.20%	100,000.00	10.50%	100,000.00
Citizens State Bank (Georgetown)	9.65%	100,000.00	11.50%	100,000.00
Travis Bank and Trust	9.20%	100,000.00	8.88%	100,000.00
United Bank of Texas	10.10%	100,000.00	12.50%	100,000.00
Totals (Exh. I)		<u>950,000.00</u>		<u>800,000.00</u>

Accounts Receivable

Receivables (other than Accrued Interest) totaled \$20,252.00 at December 31, 1983 and \$18,388.50 at December 31, 1982. These items were aged as follows:

	December 31,	
	1983 \$	1982 \$
1-30 days	14,686.00	12,569.50
31-60 days	3,130.00	2,801.00
61-90 days	1,096.00	1,452.00
Over 90 days	1,340.00	1,566.00
Totals	<u>20,252.00</u>	<u>18,388.50</u>

OFFICE OF CONSUMER CREDIT COMMISSIONERPrepaid Expenses

At December 31, 1983 and December 31, 1982, prepaid expenses consisted of:

	<u>December 31,</u>	
	<u>1983</u>	<u>1982</u>
	\$	\$
Printing Supplies	2,409.75	2,808.13
Office Supplies	4,440.76	1,520.01
Auto Supplies	275.51	112.20
Prepaid Equipment Rental	278.00	256.00
Postage	910.74	1,348.95
Unexpired Fidelity Bond Premiums	294.64	736.60
Unexpired Liability Insurance Premiums - Office Space and Automobiles	120.25	202.17
Prepaid Subscriptions	922.44	832.50
	<u>9,652.09</u>	<u>7,816.56</u>
Totals (Exh. I)		

Current Liabilities

The Office's records reflected a negative balance in the demand account at Travis Bank and Trust in the amount of \$37,695.82 at December 31, 1983. A transfer of invested funds to this account subsequent to the end of the year liquidated this liability.

Refunds due to remitters represent overpayments of various fees which had not been disbursed as of the end of the fiscal year.

Deferred Revenue consists of license fees and newsletter subscriptions received in advance, but not yet earned. License fees are due January 1 of each year and most are received prior to December 31. Fees collected in advance are applicable to the subsequent year's activity; therefore, they are deferred at year-end and recognized as revenue in the succeeding year. Newsletter subscription fees were collected for a subscription period of July 1 to June 30 until May, 1983 when an automated subscription system was installed which facilitated

beginning subscriptions on any date. The initial receipts are recorded as deferred revenue and recognized as revenue on a monthly basis throughout the subscription period.

Fund Equity

Fund balances totaling \$579,471.18 at December 31, 1983 and \$559,357.52 at December 31, 1982 represent the Office's equity in its operating funds, its encumbered General Funds obligated to pay for items on order and its investment in prepaid expenses. Fund balances combined with the Office's investment in fixed assets comprise Fund Equity. Changes in and resulting fund balances for the reporting period are presented in Exhibit II.

Other Operating Comments

Professional fees paid during the year ended December 31, 1983 were \$273.40 and during the year ended December 31, 1982 were \$1,039.80. These fees were paid for court reporter services at public hearings.

As indicated in Exhibit II, most of the Office's operating funds are derived from license and examination fees from loan operations regulated by the Commissioner. Secondary sources of revenue include various other fees, sales of publications and depository interest. Fee rates which were in effect December 31, 1983 are listed on the following page.

OFFICE OF CONSUMER CREDIT COMMISSIONER

License Fee:	
Full Year -	
Except that regulated loan licensees with over \$100,000	
Loans receivable at September 30 pay \$200 for the following year	\$100.00
After July 1, any year	50.00
License Application Investigation Fee:	
Regulated Loan	200.00
Pawnshop	250.00 or 500.00
License Transfer Fee (change in ownership):	
Regulated Loan -	
If new owners are involved	250.00
If no new owners	50.00
Involuntary change of ownership	10.00 or 25.00
Pawnshop -	
Standard Fee - first license	500.00
After first license or if principals substantially identical in another licensed pawnshop	250.00
Employee Annual License Fee (Pawnshop only):	
New application	25.00
Renewal	10.00
Examination Fee: (Maximum of \$500.00)	
Direct Charge (per hour)	32.00
Surcharge	150.00
Special Investigation Fee:	
Prevailing examination fee rate per hour, plus per diem, mileage and other direct costs	
Change of Address or Name Fee	10.00
Copy of Credit Code	20.00
Application and Information Kit	23.00
Duplicate License	5.00
Subscription to Newsletter	40.00

GENERAL FIXED ASSETS

The Office's General Fixed Assets Account Group is comprised of furniture and equipment, automobiles and library books. The Office's investment in general fixed assets increased from \$136,305.00 at December 31, 1982 to \$140,380.09 at December 31, 1983. The changes which brought about the increase are summarized in Exhibit IV.
