Upsold and Weighed Down:

An Analysis of a Subset of Supervised Installment Lending in Colorado

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About the Center for Responsible Lending

The Center for Responsible Lending (CRL) is a non-partisan, nonprofit research and policy advocacy organization working to promote financial fairness and economic opportunity for all, end predatory lending, and close the racial wealth gap. CRL's expertise gives it trusted insight to evaluate the impact of financial products and policies on the wealth and economic stability of Asian, Black, Latino, rural, military, low-wage, low-wealth, and early-career workers and communities. CRL is an affiliate of Self-Help, one of the nation's largest nonprofit community development financial institutions. Our work leverages the strength of partnerships with national and local consumer and civil rights organizations.

Acknowledgments

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Previous research by the Center for Responsible Lending (CRL) has revealed the harms associated with high-cost installment loans, which are often marketed to subprime borrowers and have annual percentage rates of interest (APRs) in excess of 36%. This paper explores a different segment of the installment loan market: loans made by consumer finance companies with rates at or below 36% APR that have larger, longer terms and are often packed with fees for low-value, high-cost add-on products. The costs of these products are not included in the loans’ APRs.

Some of the largest lenders in this segment of the market have lobbied state legislatures to weaken state consumer financial protection laws that govern maximum allowable interest rates, thereby permitting lenders to make higher-cost loans than the law currently allows. This lobbying has occurred in Arizona, Colorado, Florida, Maine, Nebraska, North Carolina, and Pennsylvania. These lenders claim to benefit consumers by offering affordable, responsible credit, yet little is known about the lending practices occurring in this market.

Using a sample of 67 collections cases filed in Denver County Court, this research examines loan terms and agreements that consumer finance company lenders use to better understand the practices associated with installment loans with APRs below 36%. This paper focuses on Colorado, one of the states in which consumer finance company lenders have lobbied the legislature to increase the legal limits on maximum interest rates permitted on consumer loans. The Consumer Credit Unit within the Office of the Colorado Attorney General licenses and supervises these lenders. Colorado law therefore refers to these lenders as “supervised lenders,” and their products are termed “supervised loans.” This study examines a subset of supervised loans that are over $1,000 and are not secured by real estate.
This brief addresses important questions about supervised loans in Colorado:

1. What are the characteristics of supervised loans that consumer finance companies offer under Colorado law?

The loans are for thousands of dollars, repayable over multi-year terms, at APRs that yield large total finance charges. APRs range from 20% to 31%, and loan amounts typically range from $4,000 to $8,000 with terms of two to five years. The combination of these APRs and multi-year term lengths results in costly finance charges. Additionally, the loans are frequently secured by the borrower’s car or other personal property.

2. How common are add-on products, and what impact do they have on debt loads?

The regular sale of add-on products leads to higher debt loads. Lenders often bolster revenues by encouraging borrowers to purchase credit insurance—credit life, disability, or involuntary unemployment insurance—which pays the lender (not the borrower) in the event of a covered loss. These policies are typically of low value to the borrower but generate significant revenue for the lender, because they are sold by insurance companies affiliated with the lender and/or because the lender retains a portion of the insurance premium. The lenders also sell other products, such as automobile club memberships. The insurance policies and other products are paid for out of the loan proceeds. Borrowers take on extra debt to cover the cost of these purchases. This increases both the size of the loan and the interest payments made to the lender. Taking the costs of these products into account, the total cost of the loans is higher than it appears based on the stated finance charges and APRs alone.

3. How do these loans impact borrower debt burdens?

Renewals are common and companies may use them to extend the period of indebtedness or sell more insurance. Many of the loans in the sample renew existing loans with the same lender. In some cases, the new loan provides little new credit beyond the cost of more insurance and other add-on products. This raises the possibility that such loan renewals may also be used to delay delinquency and default, to sell additional insurance and other add-ons, or to extend the period of indebtedness for borrowers who could repay their loans within their original terms.

These findings underscore the importance of state regulators examining licensees to prevent lenders from deceptively pushing borrowers deeper into debt by pressuring them to purchase add-on products or by using loan renewals to extend periods of indebtedness or facilitate additional product sales. These findings also reveal the high cost of the loans at current rates and demonstrate the importance of preventing state laws from weakening consumer protections by allowing even higher-cost loans. Instead, state laws should be strengthened to include the cost of add-on products when determining finance charge limits.
Over the last four decades, the financial balance sheets of Americans have suffered. Hourly wages have stagnated, and the costs of housing, higher education, child care, and health care have soared. In the fifth annual Financial Health Pulse report authored by the Financial Health Network (FHN), the percent of people noted as “Financially Healthy” decreased from 34% in 2021 to 31% in 2022. This is the first ever year-to-year decrease in the measure. Consequently, growing numbers of American households find themselves struggling to meet their basic needs. This is acutely felt for households that are lower-income. FHN found 10% of households making less than $30,000 are financially healthy, in comparison to 54% of households that are making $100,000 or more.

Financial unease and distress have created opportunities for credit products to be introduced as a purported solution to shortfalls in income or savings. For some American families, high-cost lenders also offer products to fill these gaps. These products often come with high interest rates, additional fees and add-on products that result in large finance charges, and other costs. Recently, CRL published research shedding light on the potential harms of installment loans with costs exceeding an APR of 36%. The authors found that 85% of borrowers surveyed reported that making payments on one or more of their high-cost loans contributed to or caused an experience which negatively impacted their overall finances.

Larger, longer-term loans with APRs of up to 36% can also saddle borrowers with considerable, high-cost debt burdens. This occurs when the APRs are applied to loans of thousands of dollars that are repayable over several years.
High-Cost Borrowing and Consumer Protection Laws in Colorado

To protect consumers from high-cost lending, most states have passed rate caps limiting the APR on financial products such as installment loans. Colorado is one state with a rate cap, and interest rate limits are set out in the Consumer Credit Code (the “Code”). Licensed lenders who comply with Colorado’s Code requirements are, however, permitted to utilize finance charges at rates well above the state’s general usury limit of 12% on consumer loans. These lenders are referred to in the Code as “supervised lenders,” and they are subject to supervision by the Consumer Credit Unit within the Colorado Attorney General’s Office. This office previously published annual reports containing broad summaries of aggregated data regarding these lenders’ activities, but limited details. Inconsistencies in the lenders’ data reporting led the Attorney General’s Office to stop publishing the annual reports after 2015. Since that time, little information has been made publicly available about these lenders’ practices in Colorado.

This report sheds light on the lending terms and practices of the supervised lenders making consumer loans to Colorado residents. While the paper is focused on supervised lenders operating in Colorado, it reflects lending practices that are not limited to these specific lenders or to this specific state.
Methodology

To obtain a snapshot of how the Code and supervised lenders operate in Colorado, CRL examined a sample of loan agreements, industry reports, and the company websites for two large, supervised lenders licensed and making non-mortgage consumer loans in Colorado under the Code. These lenders are OneMain Financial (“OneMain”)^8 and Lendmark Financial Services (“Lendmark”).^9 CRL obtained copies of loan agreements from these two companies by reviewing lawsuits filed in 2019 and 2021 in Denver County Court. In the lawsuits analyzed, OneMain or Lendmark was named as the plaintiff (as reflected in the court’s electronic filing system) seeking to collect on a defaulted loan agreement. Personal information in the sample loan documents has been redacted to maintain anonymity, and a pseudonym has been assigned to each borrower.

To account for potential disruptions due to the COVID-19 crisis, CRL chose the years 2019 and 2021; these are the most recent year prior to and the most recent full year after the onset of the pandemic. In each of the 67 cases, the loan agreement was attached to the complaint the lender filed in court. Sample copies of loan agreements from both lenders can be viewed in Appendix D.

CRL also reviewed the information available from the identified lenders’ websites to confirm that the terms and practices reflected in the loan agreements broadly reflect the practices common to these lenders. Lender filings with the Securities and Exchange Commission (SEC) and presentations to investors were also reviewed, when available.

Potential limitations of this research include the possible variability of case filings and data across counties in Colorado and the loan agreements in the sample are in default. However, as Denver County is the largest county by population in Colorado, we anticipate this geography would capture a reasonable share of the court filings within the state. In addition, there is no reason to believe the loan agreements attached to court cases in Denver County would differ materially from loan agreements entered into with residents of other Colorado counties. The court filings provide the only current means of obtaining a reasonable sample of loan agreements, and hence are the only means for investigating the lending practices that the agreements reflect. Neither of these limitations compromises the findings of this research.
Supervised loans in Colorado are marketed to consumers for personal or household use, such as home or automobile repairs, the purchase of an automobile or other personal property, funding a vacation, or consolidating other debts. The loans are repayable in monthly installments over a period of between two and five years (24–60 months). Regularly, they are secured by collateral, which can consist of vehicles or of household items such as televisions, furniture, or computers.

The loans in the sample range in size from approximately $2,000 to $15,600, with the majority of loans being at least $5,000. Term lengths ranged from 18–60 months. Only 11 loans (16%) were for fewer than three years and over half were for four or more years. The borrowed amount and loan terms have a strong positive correlation, meaning larger loans are associated with longer terms.¹⁰
Nearly half of the loans in the sample were secured by collateral. This includes 17 of the 23 Lendmark loans and 14 of the 44 OneMain loans. The OneMain loans were secured by vehicles only. Nationally, more than half of OneMain outstanding loans are secured by vehicles or other titled property. The Lendmark loans in the sample were roughly split between vehicles and either “consumer goods” or “household items,” as noted in the respective court filings. Consumer goods and household items may have limited resale value but can have great personal value to the borrower. Having a loan secured by either a car or other important collateral can motivate a borrower to prioritize the repayment of the loan above the payment of other debts or expenses.
The loan terms are outlined in standard form loan documents. The first page of typical loan document is shown in Figure 2 and in Appendix A. This page is typically followed by one or more pages of pre-printed contract text. Examples of full loan documents can be found in Appendix D.
OneMain and Lendmark are licensed in Colorado under the Consumer Credit Code.13 Like the law in most states,13 the Colorado Code protects state residents by setting limits on the allowable costs lenders can charge on consumer loans. The Colorado Code uses a “blended rate” structure that sets the maximum rates as follows: 36% APR on up to $1,000 of a loan’s unpaid balance; 21% on the part of the unpaid balance that exceeds $1,000 up to $3,000; and 15% on the part of the unpaid balance that exceeds $3,000.14 This blended rate structure yields APRs of roughly 21% to 36%, depending on loan size. The larger the loan, the lower the allowable APR. For all loans, if the blended rate structure yields an APR below 21%, the law guarantees lenders the right to charge an APR of 21% on the entire loan.

Figures 3 and 4 illustrate how the blended rate structure impacts both APR and total finance charge. Figure 3 reflects different loan sizes, all with a 36-month term, and Figure 4 reflects different loan terms for a $5,000 loan. As shown in Figure 3, larger loan sizes generate larger finance charges and lower APRs. Figure 4 reveals that increasing the loan term yields higher total finance charges and slightly lower APRs.

Within our sample, the finance charges on the loans appear to comply with Colorado law. The APRs range from 20% to 31%. Applied to loans of several thousand dollars that are repayable over two or more years, these rates yield finance charges of $2,000, and in many cases considerably more. Even where the APR is at the low end of the range, when applied to a relatively larger loan balance, the borrower’s debt burden can be substantial. For example, “Patty,” a borrower in the sample, received a loan of $6,882.90 with a four-year term. Although the 21.46% APR was low compared to others in the sample, it generated a finance charge of over $3,400, requiring her to make total payments of more than $10,000 to repay the loan in full by the end of the term.

Figure 5 illustrates the size, term, and finance charges of five loans from the sample.

| Figure 3. Sample Loan Sizes with 36-month Terms at Maximum Rates Under Colorado Code |
|----------------------------------------|----------|--------|
| Loan Size    | Finance Charge | APR  |
| $3,000       | $1,155.32     | 28.82% |
| $5,000       | $2,130.33     | 24.72% |
| $8,000       | $2,929.80     | 21.54% |

Source: CRL calculations.

| Figure 4. $5,000 Loan with Sample Loan Terms at Maximum Rates Under Colorado Code |
|----------------------------------------|----------|--------|
| Term      | Finance Charge | APR  |
| 36 months | $2,130.33     | 24.72% |
| 48 months | $2,877.06     | 24.40% |
| 60 months | $3,650.71     | 24.12% |

Source: CRL calculations.

| Figure 5. Five Borrowers and Their Loan Features |
|-----------------------------------------------|--------|----------------|----------------|
| Loan Amount  | APR | Term (Years) | Finance Charge | Total Repayment |
| “Serena”     | $4,000.00 | 25.81% | 4 | $2,474.48 | $6,474.48 |
| “Lewis”      | $5,868.19 | 22.79% | 5 | $4,015.61 | $9,883.80 |
| “Matthew”    | $2,971.98 | 28.57% | 2 | $967.96 | $3,939.94 |
| “Patty”      | $6,882.90 | 21.46% | 4 | $3,485.76 | $10,368.66 |
| “Pamela”     | $3,878.68 | 26.20% | 3.5 | $2,086.16 | $5,964.84 |

Source: Denver County Court records as acquired by CRL. Table compiled by CRL.
Credit Insurance and Additional Add-ons

Beyond the finance charges accrued on these loans, many of the loans in the sample were also subject to credit insurance, which imposes additional costs to borrowers and increases their debt loads. Both OneMain and Lendmark promote the sale of credit insurance and profit from it.\(^{15}\) The profit takes two primary forms. First, the lenders receive a share of the premiums. In the case of OneMain, this is because the policies offered to borrowers are sold by OneMain’s insurance affiliates, American Health and Life Insurance Company and Triton Insurance Company.\(^{16}\) These affiliates are “predominately dependent” on these sales, as OneMain borrowers are the affiliates’ primary source of business.\(^{17}\) The OneMain loan agreements include the statement that OneMain or its affiliates may profit from the insurance sale. In the case of Lendmark, the company’s loan agreements inform borrowers that the lender may retain a portion of the insurance premium. In addition to insurance, both Lendmark and OneMain also sell “automobile club memberships” as add-on products.\(^{18}\)

Source: Denver County Court records as acquired by CRL.

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**Figure 6. Credit Insurance Example**

<table>
<thead>
<tr>
<th>A. TRUTH IN LENDING DISCLOSURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ANNUAL PERCENTAGE RATE</strong></td>
</tr>
<tr>
<td>The cost of my credit as a yearly rate $ 22.6%</td>
</tr>
<tr>
<td><strong>FINANCE CHARGE</strong></td>
</tr>
<tr>
<td>This dollar amount the credit will cost me $ 3316.09</td>
</tr>
<tr>
<td><strong>AMOUNT FINANCED</strong></td>
</tr>
<tr>
<td>The amount of credit provided to me on my behalf $ 6188.06</td>
</tr>
<tr>
<td><strong>TOTAL OF PAYMENTS</strong></td>
</tr>
<tr>
<td>This amount will have paid after I have made all payments as scheduled $ 9504.15</td>
</tr>
</tbody>
</table>

- **NUMBER OF PAYMENTS**: 47
- **DATE PAYMENTS ARE DUE**: 08/17/17
- **LATE CHARGE**: If any payment is not paid in full within **10** days after its due date, I will be charged **1%** of the **amount** of the payment, but not more than $250 or less than $______.

- **PREPAYMENT**: If I pay off early: I may not have to pay a penalty for prepaying all or part of the loan’s principal balance.

- **SECURITY**: I am giving Lender a security interest in: Unsecured Motor Vehicles

<table>
<thead>
<tr>
<th>ITEMIZATION OF AMOUNT FINANCED</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts paid to others on my behalf</strong></td>
</tr>
</tbody>
</table>
| 1 $ 146.57 Single Life Premium Paid To: LIFE INSURANCE COMPANY * 
| 2 $ 267.84 Single Disability Premium Paid To: DISABILITY INSURANCE COMPANY * 
| 3 $ 253.61 UI Premium Paid To: INSURANCE UNEMPLOYMENT INSU. CO. * 
| 4 $ 253.61 
| 5 $ 253.61 
| 6 $ 253.61 
| 7 $ 253.61 
| 8 $ 253.61 
| 9 $ 253.61 
| 10 $ 253.61 
| 11 $ 253.61 Paid To 
| 12 $ 253.61 Paid To 
| 13 $ 253.61 Paid To 
| 14 $ 253.61 Paid To 
| 15 $ 253.61 Paid To 
| 16 $ 253.61 Paid To 
| 17 $ 253.61 Paid To 
| 18 $ 253.61 Paid To 
| 19 $ 253.61 Paid To 
| 20 $ 253.61 Paid To 
| 21 $ 253.61 Amount Paid on Prior Account with Lender Paid To 
| 22 $ 560.30 Paid To [ ]

* Lender may retain a portion of these amounts.

Source: Denver County Court records as acquired by CRL.
In addition to profiting from the sale of insurance premiums, the lenders also earn interest on the cost of the premiums because the cost is paid from the loan proceeds. The borrower takes on additional debt to pay for the insurance, and the lender earns interest on that additional debt. The automobile club memberships and other add-ons are paid for in the same way.

While these insurance policies are highly profitable to the lenders, they are of low value to the borrowers. In general, the premiums charged are high relative to the amounts actually paid on claims. In the event a claim is paid, the payment goes to the lender, not the borrower.

Despite the high cost and low value to the borrower, insurance policies were included with a remarkable number of loans. Forty of the 67 loans in the sample (60%) included insurance and/or other add-on products such as automobile club memberships. In many cases, the borrower was sold multiple insurance policies.

In 13 cases, the cost of these purchases consumed more than one-tenth of the loan proceeds (Figure 7). In six cases, borrowers took on more than $1,000 in additional debt to cover the add-on costs.

### Figure 7. Examples of Add-on Products Comprising More Than One-Tenth of Loan Funds

<table>
<thead>
<tr>
<th>Policy Name</th>
<th>Total Amount Financed</th>
<th>Number of Policies Sold</th>
<th>Insurance Premium</th>
<th>Auto Club Memberships</th>
<th>Lender</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Brittany”</td>
<td>$4,445.91</td>
<td>3</td>
<td>$433.71</td>
<td>$0</td>
<td>OneMain</td>
</tr>
<tr>
<td>“Raina”</td>
<td>$4,907.40</td>
<td>3</td>
<td>$507.40</td>
<td>$0</td>
<td>OneMain</td>
</tr>
<tr>
<td>“Leanna”</td>
<td>$5,189.14</td>
<td>3</td>
<td>$589.04</td>
<td>$0</td>
<td>OneMain</td>
</tr>
<tr>
<td>“Braxton”</td>
<td>$6,188.06</td>
<td>3</td>
<td>$688.06</td>
<td>$0</td>
<td>OneMain</td>
</tr>
<tr>
<td>“Bailey”</td>
<td>$6,760.07</td>
<td>3</td>
<td>$760.07</td>
<td>$0</td>
<td>OneMain</td>
</tr>
<tr>
<td>“Noel”</td>
<td>$2,699.18</td>
<td>4</td>
<td>$319.23</td>
<td>$379.95</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Bradley”</td>
<td>$3,868.12</td>
<td>3</td>
<td>$588.88</td>
<td>$0</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Tina”</td>
<td>$5,097.26</td>
<td>4</td>
<td>$717.31</td>
<td>$379.95</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Patty”</td>
<td>$6,882.90</td>
<td>3</td>
<td>$1,135.07</td>
<td>$0</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Hailey”</td>
<td>$5,085.24</td>
<td>4</td>
<td>$1,248.20</td>
<td>$0</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Stephen”</td>
<td>$9,282.67</td>
<td>3</td>
<td>$1,379.93</td>
<td>$0</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Molly”</td>
<td>$11,008.01</td>
<td>3</td>
<td>$2,036.90</td>
<td>$0</td>
<td>Lendmark</td>
</tr>
<tr>
<td>“Preston and Emma”</td>
<td>$15,623.94</td>
<td>4</td>
<td>$5,006.89</td>
<td>$199.95</td>
<td>Lendmark</td>
</tr>
</tbody>
</table>

Source: Denver County Court records as acquired by CRL. Table compiled by CRL.
Lendmark’s loan to “Preston and Emma” is a particularly egregious example. Here the cost of insurance and automobile club memberships added more than $5,000 to what would otherwise have been a $10,000 loan. Add-ons ballooned their debt load to more than $15,000. If the costs of these products were included in the finance charge, it would produce an APR of more than 47%—more than double the APR stated on the loan agreement.

“Preston and Emma’s” loan terms are captured in the following table, with the cost of the add-ons included in the APR and finance charge.

The frequency of these add-on purchases that profit the lender, at great cost and little value to the borrower, raises the question of how and why such purchases—which OneMain refers to as “voluntary” or “optional”[19]—are such common features of these lending agreements. These add-on features are so common that many of the loans agreements in the sample, like “Preston and Emma’s” (see Figure 8), have the various types of insurance policies preprinted on the loan document under the “itemization of the amount financed,” making clear the expectation that these purchases will be bundled into and paid for with borrowed money.
In addition to the presence of add-on products and credit insurance, renewal loans—loans that pay off existing loans to the same lender—are common. Twenty-four of the 67 loans in the sample were renewals. Nationally, about half of OneMain customers renew their loan at least once during the loan’s life. In 17 of the renewals in the sample, after paying off the prior loan and paying for new insurance, the borrower received less than $600.

“Stephen’s” renewal loan, as shown in Figure 10, is an egregious example of loan terms benefiting the lender and harming the borrower. On a loan of $9,283, Lendmark sold him $1,380 in credit insurance and took $7,903 to repay the balance on his prior loan. “Stephen” received $0.00.

This transaction cannot reasonably be described as financially beneficial to the borrower. If the renewal was an accommodation to a borrower at risk of default, expanding his debt burden to cover $1,380 in credit insurance was not in his interest. Conversely, if the borrower was not struggling to repay the existing loan, it is implausible that he sought an additional $1,380 in debt to finance the purchase of new credit insurance.

![Figure 10. “Stephen’s” Loan Renewal](image-url)
Conclusion and Recommendations

The lending practices identified in this research raise significant consumer protection concerns. This paper focuses on the practices of two lenders active in Colorado, but these concerns are not limited to these lenders or to any one state.

In Colorado and other states, regulators should examine their licensees to ensure that lenders are not deceptively pushing borrowers deeper into debt through loan-related transactions that profit the lender at high cost and little benefit to the borrower. Regulators should also ensure that lenders do not use loan renewals to facilitate further sales of insurance and other add-on products, or inappropriately extend the period of indebtedness for borrowers who would otherwise have repaid their loans within their original terms. Attorneys general should hold lenders accountable for any such deceptive or otherwise improper practices. Likewise, the Consumer Financial Protection Bureau (CFPB) should ensure that consumer finance lenders are not engaging in unfair, deceptive, or abusive practices that harm consumers.

The loans analyzed for this paper demonstrate the high cost of the loans at the interest rates currently permitted by Colorado law. The loans are already very costly, bloated with add-ons that have limited value to borrowers, and frequently renewed. In Colorado and elsewhere, lawmakers should not weaken state interest rate limits to allow even higher-cost loans. Instead, state laws should be strengthened to include the cost of add-on products when determining finance charge limits.

In Colorado and elsewhere, lawmakers should not weaken state interest rate limits to allow even higher-cost loans. Instead, state laws should be strengthened to include the cost of add-on products when determining finance charge limits.
Appendices

Appendix A: Page 1 of OneMain Financial and Lendmark Financial Services Loan Documents

A.1. OneMain Financial

<table>
<thead>
<tr>
<th>LOAN AGREEMENT AND DISCLOSURE STATEMENT</th>
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<tr>
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<tr>
<td>ACCOUNT NUMBER</td>
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</tr>
<tr>
<td>TYPE OF LOAN (Alpha)</td>
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</tr>
<tr>
<td>LENDER/SECURED PARTY NAME AND ADDRESS</td>
<td>(Lender)</td>
</tr>
<tr>
<td>BORROWER/NAME AND ADDRESS</td>
<td>(&quot;We&quot;)</td>
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<tr>
<td>EFILED: OneMain Funding</td>
<td></td>
</tr>
<tr>
<td>201-283-9841</td>
<td></td>
</tr>
<tr>
<td>DENVER, CO 80205</td>
<td></td>
</tr>
</tbody>
</table>

I have carefully read this entire Loan Agreement and Disclosure Statement and all related documents which include the Insurance Disclosure Summary, Truth in Lending Disclosure and Personal Property Assessment Form provided separately (if applicable), all of which collectively constitute the "Agreement." This Loan Agreement and Disclosure Statement is divided into four sections: A. Truth in Lending Disclosure, B. Loan Terms and Conditions, C. Arbitration Agreement And Waiver Of Jury Trial, and D. Entire Agreement/Notice/Signature. If I had any questions, I asked them before I signed these documents. By signing, I indicate my agreement to the statements, promises, terms, and conditions contained in the Agreement.

A. TRUTH IN LENDING DISCLOSURES

<table>
<thead>
<tr>
<th>ANNUAL PERCENTAGE RATE (APR)</th>
<th>FINANCE CHARGE</th>
<th>AMOUNT FINANCED</th>
<th>TOTAL OF PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of my loan as a yearly %</td>
<td>The amount the creditor will assess</td>
<td>The amount of credit provided to me or on my behalf</td>
<td>The amount I will have paid after I have made all payments as shown below</td>
</tr>
<tr>
<td>24.35%</td>
<td>$2663.50</td>
<td>$6970.60</td>
<td>$7370.50</td>
</tr>
</tbody>
</table>

My Payment Schedule will be:

Number of Payments  15
Amount of Payments  $2663.50
When Payments Are Due  15/03/17
Number of payments may vary if prepayment is made. If the total of payments exceeds $10,000 or the loan is paid in full before the due date, the interest rate and the amount of interest will be adjusted accordingly.

LATE CHARGE: If any payment is not paid in full within ___ days after its due date, I will be charged ___% of the amount of the payment, but no more than ____ or less than ____.

PREPAYMENT: I may prepay all or part of the principal balance of this loan at any time. I will not get a refund or credit of part of the finance charge for the prepayment in full. I may not receive a refund or credit for a partial prepayment.

SECURITY: I am giving the lender a security interest in:

- [ ] Unsecured
- [ ] Collateral
  - Motor Vehicles
  - Year, Make, Model, Vehicle Identification No.

See the remainder of this Agreement for any additional information about prepayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties, if any.

ITEMIZATION OF AMOUNT FINANCED

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Amount Paid To/By</th>
<th>Amounts Paid To Others on My Behalf</th>
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<tbody>
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<td>1</td>
<td>$113.00</td>
<td>Single Life Premium</td>
<td>Paid To LIFE INSURANCE COMPANY *</td>
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<td>2</td>
<td>$197.53</td>
<td>Disability Disability Premium</td>
<td>Paid To DISABILITY INSURANCE COMPANY *</td>
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<tr>
<td>3</td>
<td>$196.79</td>
<td>UI Premium</td>
<td>Paid To UNEMPLOYMENT INSURANCE CO. *</td>
</tr>
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<td>4</td>
<td>$000.00</td>
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<td>21</td>
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<td>Amount Paid On Prior Account with Lender</td>
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<td>22</td>
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<td>Paid To</td>
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<td>23</td>
<td>$000.00</td>
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<td>29</td>
<td>$000.00</td>
<td>Paid To</td>
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<tr>
<td>30</td>
<td>$000.00</td>
<td>Paid To</td>
<td></td>
</tr>
</tbody>
</table>

PREPAID FINANCE CHARGES

Prepaid Finance Charges (if any):

- $000.00
- $220.00

This Agreement is Subject to the Federal Arbitration Act.

By signing below, I acknowledge receipt of a copy of this Disclosure Statement.

CoBorrower

Source: Denver County Court records as acquired by CRL.
A.2. Lendmark Financial Services

DISCLOSURE STATEMENT, PROMISSORY NOTE AND SECURITY AGREEMENT

DATE: 9/26/2020

LENDER/SECURED PARTY: LENDMARK FINANCIAL SERVICES, LLC
9830 W. CRESTLINE AVENUE UNIT 08
LITTLETON, CO 80123

Borrower/Debtor: [NAME]

ADDRESS FOR PAYMENT: 9830 W. CRESTLINE AVENUE UNIT 08
LITTLETON, CO 80123

LOAN AMOUNT: $5,085.24

FEDERAL TRUTH IN LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE
The cost of my credit as a yearly rate.
20.74%

FINANCE CHARGE
The dollar amount the credit will cost me.
$1,802.66

Amount Financed
The amount of credit provided to me or on my behalf.
$5,085.24

Total of Payments
The amount I will have paid after I have made all payments as scheduled.
$6,887.90

My payment schedule will be:

Number of Payments: [NUMBER]
When Payments are Due: [DATE]
Final Payment Date (Maturity Date): [DATE]
Monthly Beginning: [DATE]

Refinancing: I am giving a security interest in:
Consumer goods [ ] Motor vehicle [ ] Other (specify): [ ] Unsecured [ ]

Late Charge: I agree to pay a late charge on any installment not paid in full within ten (10) days after the due date, in the amount of fifteen dollars ($15.00).
Prepayment: If I pay off early, I will not have to pay a penalty.

I can see my contract documents for any additional information about nonpayment, defaults, any required payments in full before the scheduled dates, and prepayment refunds and penalties.

Amount Given to Me Directly
1. $100.00
2. $2,500.00
3. $3,575.00
4. $2.00
5. $2.00
6. $2.00
7. $2.00
8. $2.00
9. $2.00
10. $2.00
11. $2.00
12. $2.00
13. $300.00
14. $1,685.24
15. $1,802.66
16. $2.00

Additional Amounts Paid to Others
[ ] To [ ]
[ ] To [ ]
[ ] To [ ]

Other (specify): [ ] Unsecured [ ]

Prepaid Finance Charge (Origination Fee): $2.00

NOTE: I, the undersigned Borrower, jointly and severally, promise to pay to the order of Lender, at its office, the Loan Amount (Amount Financed plus Prepaid Finance Charge shown above) plus interest from the date hereof on the unpaid balance of the Loan Amount, from time remaining unpaid, at the interest rate(s) disclosed below, until paid in full, according to the payment schedule shown above. Each consecutive payment is due on the same day of each calendar month.

RATE OF INTEREST: Interest accrues on the daily basis at the rate of: 20.74%

POST-MATURITY INTEREST: Interest will continue to accrue at the Rate of Interest on the balance of this note not paid at maturity, including maturity by acceleration.

SECURITY AGREEMENT: I grant you a security interest in the Property described below. The rights I am giving you in this Property and the obligations this document secures are defined on page 2.

( ) Motor vehicle:

[ ] Consumer Goods: See "Personal Property" list which is incorporated herein by reference thereto.
( ) Other (specify):

Below is the fully executed and delivered Promissory Note and Security Agreement, which is incorporated herein by reference thereto.

I agree to the terms set out on Page 1 and Page 2 of this document. I have received a completely filled in copy of this document on today’s date.

THIS DOCUMENT IS EXECUTED UNDER SEAL BY THE BORROWER(S) ON THE DATE ABOVE WRITTEN.

[ ]

I hereby certify that I am the undersigned Borrower(s) and that I have read and understand the foregoing Promissory Note and Security Agreement.

[ ]

I hereby certify that I am the undersigned Borrower(s) and that I have read and understand the foregoing Promissory Note and Security Agreement.

[ ]

The undersigned is/are not personally liable for this loan but grant(s) a security interest in the Property described above as security for this loan and agrees to be bound by the provisions of this document insofar as they relate to the Property.

[ ]

SEE PAGE 2 FOR ADDITIONAL TERMS AND CONDITIONS

Source: Denver County Court records as acquired by CRL.
Appendix B: Samples of Add-On Products in Loan Documents


In this example, "Braxton" received $5,500 with a term of 48 months. Credit insurance products increased the amount financed to $6,188.06. When the cost of credit insurance is included in the finance charge, the loan called for "Braxton" to repay $9,504.15—with the finance charge equaling more than half of the amount he borrowed.
### B.2. "Noel's" Add-On Products

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Given to Me Directly</td>
<td>$2,000.00</td>
<td></td>
</tr>
<tr>
<td>Amount Paid on My Prior Account</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>Amount Paid to Others on My Behalf</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>To Allied Solutions, LLC. for GAP Debt cancellation contract*</td>
<td>$31.49</td>
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</tr>
<tr>
<td>To Insurance Company for Life Ins.*</td>
<td>$79.81</td>
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</tr>
<tr>
<td>To Insurance Company for Accident &amp; Health Ins.*</td>
<td>$20.05</td>
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</tr>
<tr>
<td>To Insurance Company for Personal Property Ins.*</td>
<td>$207.93</td>
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</tr>
<tr>
<td>To Insurance Company for Voluntary Unemployment Ins.*</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>To Insurance Company for Vehicle Single Interest Ins.*</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>To Public Official for Recording Fees</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>To Public Official for Lic/TitleReg Fees</td>
<td>$0.00</td>
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</tr>
<tr>
<td>Sum of Additional Amounts Paid to Others</td>
<td>$379.95</td>
<td></td>
</tr>
<tr>
<td>Amount Financed (Sum of 1-12)</td>
<td>$2,699.18</td>
<td></td>
</tr>
</tbody>
</table>

| Additional Amounts Paid To Others                                               |              |                                 |
| (a) $379.95 To AMERICAN TRAVELER MOTOR CLUB                                    |              |                                 |
| (b) To                                                                        |              |                                 |
| (c) To                                                                        |              |                                 |
| (d) To                                                                        |              |                                 |
| (e) To                                                                        |              |                                 |
| (f) To                                                                        |              |                                 |
| (g) To                                                                        |              |                                 |
| (h) To                                                                        |              |                                 |
| (i) To                                                                        |              |                                 |
| Source: Denver County Court records as acquired by CRL.                          |              |                                 |

"Noel" borrowed $2,000 from Lendmark Financial at a rate of 28.7% for 24 months. His loan had add-ons totaling $699.18, including three insurance policies and a $379.95 fee to American Travel Motor Club.
### C.1. OneMain Financial Full Sample Loan Characteristics

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<tr>
<td>2</td>
<td>&quot;Matthew&quot;</td>
<td>$7,500.00</td>
<td>$4,803.50</td>
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<tr>
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<td>&quot;Raina&quot;</td>
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<td>$2,463.10</td>
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**Total** 14 24 4 9

Source: Denver County Court records as acquired by CRL. Table compiled by CRL.
## C.2. Lendmark Financial Services Full Sample Loan Characteristics

<table>
<thead>
<tr>
<th>Borrower Pseudonym</th>
<th>Original Amount Financed</th>
<th>Finance Charge</th>
<th>APR</th>
<th>Secured Loan?</th>
<th>Add-On Products Present?</th>
<th>Borrower Received less than $600?</th>
<th>Renewal Loan?</th>
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</thead>
<tbody>
<tr>
<td>1 &quot;Bradley&quot;</td>
<td>$3,868.12</td>
<td>$2,064.11</td>
<td>29.60%</td>
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<td>$605.81</td>
<td>30.18%</td>
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<td>3 &quot;Stephen&quot;</td>
<td>$9,382.67</td>
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<td>20.83%</td>
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<tr>
<td>17 &quot;Preston &amp; Emma&quot;</td>
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</table>

Source: Denver County Court records as acquired by CRL. Table compiled by CRL.
Appendix D: Full Loan Documents of OneMain Financial and Lendmark Financial Services

D.1. OneMain Financial Full Loan Document

Source: Denver County Court records as acquired by CRL.
D.1. OneMain Financial Full Loan Document (Continued)

12/16/2016

This is a supplement to all previous pages as indicated, in which the final payment date may be accelerated. hips the final payment date or the acceleration thereof, the entire outstanding balance of Principal and interest evidenced by this Overdue Statement, Late and Security Agreement shall be due and payable. Any payment(s) which Lender receives after the final payment date or the acceleration thereof shall not constitute a payment of prepayment of that loan unless Lender so determines.

Such Payments will be applied first to late charges, if any, then to interest computed to the date of payment, with the remainder applied to Principal. If the late charge is deducted from any payment received after default occurs and the deduction results in a default of a subsequent installment, no late charge will be collected for the subsequent default. Lender may collect interest from and later reduce the unpaid Principal balance in either the manner permitted or by any local, state or federal law applicable to the date of payment.

PREPAYMENT. Borrower may make a full prepayment of the unpaid Principal balance at any time without penalty.

When Borrower makes a prepayment, Borrower will be charged a fee by Lender at a rate that Borrower is doing to Lender. Lender will send Borrower a prepayment notice that Borrower may use to change the amount of principal and interest owed.

The notice of prepayment is to be given to the Borrower by the date specified in the Notice. Under no circumstances will the Borrower be allowed to change the amount of principal and interest owed.

PAYMENT AGREEMENT. If the Borrower fails to make any scheduled payment within 10 days of its due date, Borrower agrees to pay a late charge of $15.00.

DEFENSE. Borrower will be in default if Borrower fails to make any scheduled payment within 10 days of its due date, Borrower agrees to pay a late charge of $15.00.

Table: Late Charge

| Late Charge | Late Charge of $15.00
|-------------|-------------------|

Source: Denver County Court records as acquired by CRL.
D.1. OneMain Financial Full Loan Document (Continued)

LAW THAT APPLIES: Colorado law and federal laws, as applicable, govern this Disclosure Statement, Note and Security Agreement. If any party is in default, this will not make any other party unenforceable. In no event will Borrower be required to pay interest or charges in excess of those permitted by law.

OTHER RIGHTS: Lender may accept payment after maturity or after a default without waiving its rights with respect to any subsequent default or payment. Borrower agrees that Lender may extend time to make payments after maturity without notice. The terms of this agreement can be waived or changed only in a writing signed by Lender.

Where the context requires, singular words may be read in the plural and plural words in the singular, and references to the masculine gender may be read to the feminine gender.

OTHER TERMS: Each Borrower under this Disclosure Statement, Note and Security Agreement, if more than one, agrees that Lender may obtain from one Borrower to change the repayment terms and release any Property securing the loan, or add parties to or release parties from this agreement, without notice to any other Borrower and without releasing any other Borrower from his responsibilities. Lender does not have to notify Borrowers before exercising any of the choices under this section.

Borrower, executors, trustees and guarantors, in the event permitted by law, may waive their rights to require Lender to demand payment of amounts due, to give notice of amounts that have not been paid, to require notice of any extensions of time to pay which Lender allows to any Borrower, and to require Lender to show particular diligence in bringing suit against any responsible party for repayment of any portion of the loan, and additionally, may make any other change in the governance of Borrower and compliance with this loan and the Loan Officer, including any of the preceding clauses, in any manner securing this loan and waive the benefits of valuation and appraisal.

This Disclosure Statement, Note and Security Agreement shall be the joint and several obligation of all makers, sureties, guarantors and endorsers and shall be binding upon them, their heirs, successors, legal representatives and assigns.

If any part of the Disclosure Statement, Note and Security Agreement and, if applicable, the Mortgage or Deed of Trust and accompanying instrument of the Account Financial and Administration Agreement is unenforceable, this will not make any other part unenforceable.

FINANCIAL: The overall cost of refinancing the existing loan balance may be greater than the cost of keeping the existing loan and obtaining a second loan on any additional funds Borrower wishes to borrow.

AUTHORIZATION TO USE CREDIT REPORT: By signing below, Borrower authorizes Lender to obtain, review and use information contained in the Borrower’s credit report in order to determine whether the Borrower may qualify for other products and services mentioned by Lender. This authorization remains in effect until the Borrower’s outstanding balance is paid under this Disclosure Statement, Note and Security Agreement is paid in full. Borrower may cancel such authorization at any time by sending the following Transmission Processing, PO Box 7951, Charlotte, NC 28207-0951. In order to process Borrower’s request, Lender must provide Borrower’s full name, address and account number.

ARRBITRATION: Borrower, Non-Obligee(s) (if any) and Lender have entered into a separate Arbitration Agreement on this date, the terms of which are incorporated and made a part of this Disclosure Statement, Note and Security Agreement by this reference.

The following notice applies only if this box is checked.

NOTICE

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED WITH THE PROCEEDS HEREIN. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

By signing below, Borrower agrees to the terms contained herein, acknowledges receipt of a copy of this Disclosure Statement, Note and Security Agreement and, if applicable, the Mortgage or Deed of Trust and of the accompanying instrument of Account Financial and Administration Agreement, and authorizes the Depositary bank named herein.

Borrower (Seal)

12/14/2016

15:49:34

Security Interest of Lenders: Borrower and any personally liable co-makers of the loan are not subject to the right and power of Lender to impose or sell the Property securing this loan, in the event of default by Borrower to pay the loan.

Original (Branch) Copy (Customer)

Page 3 of 3

Source: Denver County Court records as acquired by CRL.
D.2 Lendmark Financial Services Full Loan Document

Source: Denver County Court records as acquired by CRL.
D.2 Lendmark Financial Services Full Loan Document (Continued)

October 15, 2022

December 2022

Source: Denver County Court records as acquired by CRL.

ACCOMPLISHMENTS AND ATTORNEY/FEES — In the event of default, I agree to pay the reasonable expenses incurred in making your security interest effective. I also agree to pay all reasonable attorney fees that are not in excess of $1,000.00 unless I am the attorney who is the attorney for the debtor for whom you are the attorney employed to recover the amount due under this loan agreement.

REAL ESTATE — The property is subject to the lien of the mortgage described above and the lien of any other lien that may be recorded against the property. I agree to pay all taxes, however, I will be held harmless from any liability for loss or damage to the property for which I am not responsible. I agree to pay all taxes, however, I will be held harmless from any liability for loss or damage to the property for which I am not responsible.

PROPERTY — The property is subject to the lien of the mortgage described above and the lien of any other lien that may be recorded against the property. I agree to pay all taxes, however, I will be held harmless from any liability for loss or damage to the property for which I am not responsible.

COSTS AND ATTORNEY FEES — In the event of default, I agree to pay all reasonable expenses incurred in making your security interest effective. I also agree to pay all reasonable attorney fees that are not in excess of $1,000.00 unless I am the attorney who is the attorney for the debtor for whom you are the attorney employed to recover the amount due under this loan agreement.

This agreement is made and executed on the date first above written, and the parties hereto have executed this agreement in duplicate, each party retaining a copy.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first written above.

[Signature]

[Name]

[Title]

[Company]

[Address]

[City, State, Zip]

[Telephone]

[Email]

[Website]

[Note: This document is not intended to be a legal contract and should be used as a sample only. Actual legal contracts may vary in format and content.]

Source: Denver County Court records as acquired by CRL.
1 See Colorado House Bill (HB) 15-1390; Colorado Senate Bill (SB) 16-185. In 2021, consumer finance company lenders proposed to increase interest rates on all supervised installment loans to 36% APR on all loan sizes.


3 Ibid.


6 The maximum finance charges are set out in CRS § 5-2-201, which, in relevant part, provides:

   (1) With respect to a consumer loan other than a supervised loan, including a revolving loan, a lender may contract for and receive a finance charge calculated according to the actuarial method not exceeding twelve percent per year on the unpaid balance of the amount financed.

   (2) With respect to a supervised loan or a consumer credit sale, except for a loan or sale pursuant to a revolving account, a supervised lender or seller may contract for and receive a finance charge, calculated according to the actuarial method, not exceeding the equivalent of either of the following:

      (a) The total of:

         (i) Thirty-six percent per year on that part of the unpaid balances of the amount financed that is one thousand dollars or less;

         (ii) Twenty-one percent per year on that part of the unpaid balances of the amount financed that is more than one thousand dollars but does not exceed three thousand dollars; and

         (iii) Fifteen percent per year on that part of the unpaid balances of the amount financed that is more than three thousand dollars; or

      (b) Twenty-one percent per year on the unpaid balances of the amount financed.

Consumer loans are “loans made primarily for a personal, family or household purpose.” CRS § 5-1-301(15)(a)(I).

For loans of $3,000 or less, the law sets a maximum loan term of thirty-seven months if the principal is more than $1,000, and twenty-five months if the principal is $1,000 or less. CRS § 5-2-308.


8 OneMain Financial (“OneMain”) is headquartered in Delaware and has 1,400 retail branches in 44 states. Its parent company, OneMain Holdings, is a publicly traded company, OneMain Holdings, Inc. (2021, December 31). https://s23.q4cdn.com/416720971/files/doc_financials/2021/ar/Final-2021-Annual-Report1.pdf

9 Lendmark is a privately held company headquartered in Georgia with 400 branches operating in 21 states. Lendmark Financial Services, About Us. https://www.lendmarkfinancial.com/about#:--text=Today%2C%20with%20over%20400%20branches,a%20difference%20in%20people's%20lives.

10 The correlation coefficient between the amount borrowed and loan terms across all 67 loans is 0.71. Correlation coefficients range between -1 and 1, and the 0.6-0.8 range is typically considered a strong positive correlation.

11 OneMain Holdings, Inc. Form 10-K for the fiscal year ended December 31, 2021 at p. 37 (“At December 31, 2021, we had approximately 2.34 million personal loans totaling $19.2 billion of net finance receivables, of which 52% were secured by titled property.”) https://d18rn0p25wr6d.cloudfront.net/CK-0001584207 dcc8ecd8-a46b-4ef6-b1e5-2acc55352f4.pdf


14 Colorado Revised Statute § 5-2-201.


16 https://d18rn0p25nwr6d.cloudfront.net/CIK-0001584207/dc88ecd8-a48b-4ef6-b1e5-2acc555352f4.pdf at p. 4 and p. 7.

17 https://d18rn0p25nwr6d.cloudfront.net/CIK-0001584207/dc88ecd8-a48b-4ef6-b1e5-2acc555352f4.pdf at p. 23.

18 (“We also offer optional membership plans from an unaffiliated company.”) 0001584207-22-000005 (d18rn0p25nwr6d.cloudfront.net) at 37.

19 "Brittany's" OneMain loan agreement has a clause that states: “Voluntary Credit Insurance/Group Debtor Insurance. As used in this Agreement, the term 'credit insurance' includes credit life insurance, credit disability insurance, credit involuntary unemployment insurance, and the term 'credit life insurance' includes group debtor life insurance, where offered. Lender’s affiliate may provide the credit insurance that I voluntarily select. Lender and/or its affiliates expect to profit from my purchase of voluntary credit insurance and I consent to this.”

“Lewis's” OneMain agreement, dated 2016, appears to be an earlier version of the OneMain standard agreement. It states: “Optional Insurance: Credit life insurance, credit disability insurance, involuntary unemployment insurance, and any other insurance products that are not required by the paragraph above are optional to Borrower and are not required in order to obtain credit. If Borrower desires voluntarily to purchase any of these optional insurance products, Borrower must sign below and in other required documents, and will receive an insurance certificate or policy detailing the coverage terms and conditions that apply to the insurance. Borrower should refer to the terms and conditions contained in the applicable insurance certificate or policy issued for the exact description of benefits and exclusions.”

20 Renewals are an important source of new loan volume for OneMain, as historically about half of its customers have renewed their loan at least once during the loan's life. https://www.spglobal.com/_assets/documents/ratings/research/12134689.pdf, pp. 15–16.
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