

OPENING STATEMENT

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Deloitte & Touche LLP (“Deloitte”)

Overview

- Deloitte & Touche LLP was engaged by the CPLA to prepare a report on the cost of providing payday loans in Manitoba, which I will refer to as the “Manitoba Report”.
- Subsequent to the completion of the Manitoba report, Deloitte & Touche LLP was engaged by the CPLA to prepare a report which collected transactional data on payday loan providers in Nova Scotia, which I will refer to as the “Nova Scotia Report”.
- Both reports survey private companies, and exclude public companies and internet lenders.

Manitoba Report

- Prior to commencing this engagement, Deloitte reviewed a 2004 Ernst & Young report on the cost of providing payday loans in Canada.
- Deloitte’s review focused on the report’s methodology and assumptions. These were deemed to be sound and therefore adopted for use in our Manitoba Report.

- A survey designed by Deloitte & Touche was used to gather information. The survey was sent to 13 private companies in Manitoba.
- Deloitte encountered difficulty obtaining certain responses due to confidentiality concerns. In total, five surveys were returned to Deloitte. Deloitte reviewed this information and held discussions with all participants in order to assess the reasonableness and reliability of the information received. After our review, all five responses, subject to certain adjustments, were deemed reliable for use.

Manitoba Study – Costs of Providing Payday Loans

- The costs of providing payday loans were broken into four categories:
 1. Operating costs
 2. Cost of loan capital
 3. Cost of supplementary capital
 4. Bad debt cost
- Costs were calculated based on a cost per \$100 loaned. This was utilized as it appears to be the most relevant and accepted measure when assessing costs in the industry.

- Details of our findings are found on page 11 of our Manitoba Report. The total cost per \$100 loan per our report is \$26.87, excluding any licensing and regulatory costs.

Nova Scotia Report

- Deloitte was engaged to compile transactional data on providing payday loans in Nova Scotia for private companies.
- A survey designed by Deloitte was used to gather information. The survey was sent to seven private companies in Nova Scotia.
- Five responses were received and Deloitte assessed the data. One respondent's information was not incorporated into the report as the company did not operate for a full year. Another was not used as it was not deemed reliable. Therefore, the report relied on a total of three surveys representing five Nova Scotia outlets.
- Details of our findings are found on page 2 of our report, which indicates an average loan size of \$202.74.

Thank you.

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