

State Corporation Commission 2006 Fiscal Impact Statement

1. Bill Number SB598

| | | | |
|------------------------|--|-------------------------------------|------------------------------------|
| House of Origin | <input checked="" type="checkbox"/> Introduced | <input type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron Bell

3. Committee Commerce and Labor

4. Title Motor vehicle equity loans; penalties.

5. Summary/Purpose:

Motor vehicle equity loans; penalties. Regulates motor vehicle equity loans, which are closed-end loans secured by an interest in a motor vehicle. The measure caps the interest on such loans at 20% per month for the first two months and 3% for the balance of the term. If such a loan is repaid in full within 48 hours, the loan shall not bear interest. The maximum term of such a loan is 12 months. The maximum amount of a motor vehicle equity loan is 50% of the value of the motor vehicle. Lenders are required to be licensed with the State Corporation Commission. A violation of the measure is a prohibited practice under the Consumer Protection Act. Violators are subject to civil and criminal penalties. Making unlicensed motor vehicle equity loans, or arranging or brokering motor vehicle equity loans, is punishable as a Class 1 misdemeanor.

6. See Item #8

7. Budget amendment necessary: None.

8. Fiscal implications: The possible number of title lender licensees is unknown. However, based on conversations among Bureau of Financial Institutions senior staff and senior staff of other state financial institutions regulators, the Bureau anticipates it may need a minimum of four additional mid-range level field examiner positions and one clerical position. Examiners will investigate applications for licenses and examine licensees for compliance with law. Based on current salary and benefits structure and estimated travel expenses and equipment, the additional annual costs to the Bureau of Financial Institutions would be approximately \$263,000. The expense of regulating and supervising the auto title lending industry will be recovered from the licensed industry as prescribed in proposed § 6.1-487 of the Code of Virginia under a fee schedule set by the State Corporation Commission.

9. Specific agency or political subdivisions affected: Bureau of Financial Institutions, State Corporation Commission.

10. Technical amendment necessary: None.

11. Other comments: None.

Date: 01/18/06 E. J. Face, Jr.

cc: Secretary of Commerce and Labor