

## State Corporation Commission 2007 Fiscal Impact Statement

**1. Bill Number** SB1014

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

**2. Patron** Saslaw

**3. Committee** House Floor

**4. Title** Payday Loan Act.

**5. Summary/Purpose:** Payday Loan Act. Requires the State Corporation Commission, by July 1, 2008, to certify and contract with one or more third parties to develop, implement, and maintain an Internet-accessible database, and requires payday lenders to query the database prior to making any loan to determine whether an applicant is eligible for the loan. Fifty cents may be charged to defray the costs of using the database. A payday lender is prohibited from making a payday loan to a person who has terminated a payday loan on the loan application date, or if the loan would cause the borrower to have more than three payday loans outstanding at the same time. Payday lenders are prohibited from knowingly making loans to a member of the military service or to the spouse or other dependent of such person. If a borrower obtains three or more consecutive payday loans, the borrower may enter into an extended payment plan. Other provisions (i) prohibit a lender from engaging in any unfair, misleading, deceptive, or fraudulent acts or practices in the making or collecting of a payday loan; (ii) require a lender, when collecting or attempting to collect a payday loan when the check given as security for such loan is dishonored, to comply with certain restrictions and prohibitions contained in the Fair Debt Collection Practices Act ; (iii) provide that any provision of a written loan agreement that violates the Payday Loan Act is unenforceable against the borrower; (iv) state that the provisions of the Payday Loan Act apply to Internet lenders; and (vi) allow licensees to secure payday loans with the borrower's electronic debit authorization.

**6. Fiscal Impact Estimates are:** Tentative. See Item # 8.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** Based on conversations among senior staff of the Bureau of Financial Institutions and senior staff of other state financial regulatory departments using payday loan databases, the Bureau anticipates it would need to employ one additional analyst to adequately monitor the data provided by licensed payday lenders to the database on a regular basis, to determine the effectiveness of the database. It is estimated that the additional annual expense to the Bureau for this additional full time position would be \$45,000 (salary and benefits). This expense will be recovered from the licensed industry as prescribed in § 6.1-457 of the Code of Virginia.

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

**10. Technical amendment necessary:** No.

**11. Other comments:** The Senate has agreed to the House substitute.

**Date:** 02/20/07 E. J. Face, Jr.

cc: Secretary of Commerce and Trade