

**State Corporation Commission
2008 Fiscal Impact Statement**

1. Bill Number: HB12

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Oder

3. Committee: Commerce and Labor

4. Title: **Payday loans.**

5. Summary: Payday lending charges. The legislation (i) establishes a payday loan database; (ii) produces a loan term of at least two times the borrower's pay cycle; (iii) prohibits a licensee from making a loan that would cause the borrower to have more than one loan from any licensee outstanding at the same time; (iv) prohibits a licensee from making a loan to a borrower if the loan would cause the borrower to have more than five loans from any licensee or make a loan to a borrower until not less than 24 hours has elapsed since the borrower satisfied a full payday loan; (v) establishes a maximum simple interest rate 36 % plus a loan fee of 10 % of the amount of the loan and \$ 5 verification fee; (vi) requires compliance with the Fair Debt Collection Practices Act; and (vii) establishes a voluntary prepayment arrangement.

6. Fiscal Impact Estimates: Moderate impact. See Item 8.

7. Budget Amendment Necessary: No

8. Fiscal Implications: Based on conversations with other state financial regulatory departments using payday loan databases, the State Corporation Commission Bureau of Financial Institutions 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 there will be a moderate expense to the Bureau for this additional full time position. 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: State Corporation Commission and its Bureau of Financial Institutions

10. Technical Amendment Necessary: No

11. Other Comments: Provisions pertaining to a payday loan database are included in House Bill 12 and Senate Bill 588 – however the provisions are contained in a new section in these bills (added § 6.1-453.1). House Bill 1505 amends § 6.1-453 of the Code of Virginia to add a subsection B pertaining to a database for payday loan information. Subdivision 6 in each of the three bills is different. In addition, House Bill 12 and Senate Bill 588 amend a number of sections in the Payday Loan Act – but are not identical. Senate Bill 588 amends three

sections of the Code of Virginia not contained in House Bill 12. House Bill 1505 amends one section of the Code of Virginia.

Date: 2/15/2008 ejf

cc: Secretary of Commerce and Trade