

State Corporation Commission 2008 Fiscal Impact Statement

1. Bill Number: SB565

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

2. Patron: Obenshain

3. Committee: Commerce and Labor

4. Title: **Motor vehicle equity loans; penalties.**

5. Summary: 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 percent per month for the first two months and three percent per month 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 percent 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. Fiscal Impact Estimates: See Item #8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The possible number of title lenders is unknown. However, based on conversations among State Corporation Commission 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 two clerical positions. 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 \$295,000. The expense of regulating and supervising the auto title lending industry will be recovered from the licensed industry as prescribed in proposed § 6.1-493 in Senate Bill 565 under a fee schedule set by the State Corporation Commission.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission and its Bureau of Financial Institutions.

10. Technical Amendment Necessary: No.

11. Other Comments: The patron may wish to consider striking the word “next” on line 354 and replacing it with the word “second” to make the phrase consistent with the 48 hour free loan provision.

Date: 1/30/08 E.J.F., Jr.

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