State Corporation Commission
2010 Fiscal Impact Statement

1. **Bill Number:** HB1363

   House of Origin _X_ Introduced ___ Substitute ___ Engrossed

   Second House __ In Committee ___ Substitute ___ Enrolled

2. **Patron:** Miller, J.H.

3. **Committee:** Commerce and Labor

4. **Title:** **Title loans.**

5. **Summary:** Title loans. Establishes a system for regulating title loans, which are non-purchase money loans secured by a lien on a motor vehicle's title. The interest rate that currently may be charged on such loans is uncapped if the loan is structured as an open-end loan and the borrower does not pay the balance in full within a 25-day grace period. Under this measure, interest may not exceed rate of 22% per month on the portion of the principal that does not exceed $1,000, 20% per month on the portion of the principal exceeding $1,000 but not exceeding $2,000, and 18% per month on the portion of the principal in excess of $2,000. The original term of a title loan agreement shall be one month. Loans may be renewed and on or before the maturity date of each loan or renewal period, the borrower must pay an amount sufficient to both satisfy any interest due and to reduce the outstanding principal balance by at least 7% of the original loan amount. If the borrower fails to make a required principal payment, interest will stop accruing on the unpaid amount so that the amount of principal accruing interest during any renewal period is less, by at least 7% of the original loan amount, than the amount of principal accruing interest in the previous period. The lender may allow the borrower to defer repayment of any non-interest bearing principal to a later date. Title lenders are required to be licensed by the State Corporation Commission. If a borrower defaults under a title loan agreement, the lender may repossess the motor vehicle and dispose of it in accordance with the Uniform Commercial Code. Violations are subject to civil and criminal penalties.

6. **Fiscal Impact Estimates:** Are preliminary; see Item 8.

7. **Budget Amendment Necessary:** No.

8. **Fiscal Implications:** Based on information derived from other state regulatory departments which currently license these lenders, the Bureau of Financial Institutions (BFI) anticipates it may need to employ up to four additional individuals to (i) process and investigate approximately 50-100 expected application for license, (ii) examine licensees for compliance with law, and (iii) perform other related tasks required by legislation. It is estimated that the additional annual expense to the BFI for these full time employees would be moderate ($295,000 – including salary, benefits, training, etc.). These expenses will be recovered from the licensed industry via annual fees as prescribed in proposed § 6.1-493of the Code of Virginia, and by application fees as proposed by § 6.1-483.

Projected annual revenue should more than adequately cover all annual expenses associated with supervision and regulation of the industry.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/26/2010 E. J. Face