State Corporation Commission
2010 Fiscal Impact Statement

1. **Bill Number:** SB606

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

2. **Patron:** Saslaw

3. **Committee:** Passed Both Houses

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

5. **Summary:** Motor vehicle title loans; penalties. Establishes requirements for motor vehicle title loans, which are loans secured by a non-purchase money security interest in a motor vehicle. Under this measure, interest shall not exceed 22 percent per month on the portion of the principal of the loan that does not exceed $700; 18 percent per month on the portion between $700 and $1,400; and 15 percent per month on the portion that exceeds $1,400. The loan principal shall not exceed 50 percent of the fair market value of the motor vehicle securing such loan. The loan is required to be repaid in substantially equal monthly payments of principal and interest, and the maturity date shall not be earlier than 120 days from the date the loan agreement is executed nor later than 12 months from the date the loan agreement is executed. Interest does not accrue on a loan after the motor vehicle securing the loan has been repossessed or after 60 days following the failure to make a payment unless the borrower has not surrendered the motor vehicle and is concealing it. Lenders are generally barred from seeking a deficiency judgment against a borrower following repossession or sale of the motor vehicle. Unless exempt, motor vehicle title lenders are required to be licensed by the State Corporation Commission. Loan agreements shall not be sold or otherwise assigned to any person who is not also a licensee. A violation of the measure is a prohibited practice under the Consumer Protection Act. 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 (including salary, benefits, training, etc.). These expenses will be recovered from the licensed industry via annual fees as prescribed in proposed § 6.1-493, 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: None noted.

11. Other Comments: No.

Date: 3/11/2010 EJF, Jr.