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HOUSE JOINT RESOLUTION NO. 149

Offered January 13, 2016

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Requesting the Bureau of Financial Institutions to study the reasonableness of interest rates on motor vehicle title loans. Report.

Patron—Sickles

Referred to Committee on Commerce and Labor

WHEREAS, the 2010 Session of the General Assembly enacted Senate Bill 606, which established requirements for motor vehicle title lending in the Commonwealth; and

WHEREAS, Senate Bill 606 prohibited lenders from charging interest on a motor vehicle title loan at a rate in excess of 22 percent per month on the portion of the outstanding balance of the loan that does not exceed \$700; 18 percent per month on the portion that exceeds \$700 but does not exceed \$1,400; and 15 percent per month on the portion that exceeds \$1,400; and

WHEREAS, while motor vehicle title loans may provide an alternative source of credit for borrowers who do not have access to credit cards or other types of loans, it has been asserted that the costs of motor vehicle title loans are excessive; and

WHEREAS, the General Assembly does not have access to data that would enable it to consider whether the costs of such loans are excessive or unreasonable; and

WHEREAS, a review of the interest rates actually charged on motor vehicle title loans, as well as the rate of return earned on such loans by licensed motor vehicle title lenders, during the five years since the enactment of Senate Bill 606 would permit the General Assembly to determine if *whether* the interest rates established by Senate Bill 606 are appropriate; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Financial Institutions be requested to study the reasonableness of interest rates on motor vehicle title loans.

In conducting its study, the Bureau of Financial Institutions of the State Corporation Commission (the Bureau) shall ascertain (i) the average blended interest rate, including charges and fees, charged on motor vehicle title loans, since the implementation of Senate Bill 606; (ii) how such interest rate compares with the interest rates charged on the various types of loans of similar size available to consumers who lack access to loans by traditional financial institutions; (iii) the profitability of motor vehicle title lending in the Commonwealth, including the average annual return on assets, return on equity, return on investment, and net interest margin; and (iv) how the profitability of motor vehicle title lending compares with the profitability of the alternative types of consumer lending described in clause (ii).

All agencies of the Commonwealth shall provide assistance to the Bureau for this study, upon request.

The Bureau shall complete its meetings by November 30, 2016, and shall submit to the Governor and the General Assembly an executive summary and a report of its findings and recommendations for publication as a House or Senate document. The executive summary and report shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports no later than the first day of the 2017 Regular Session of the General Assembly and shall be posted on the General Assembly's website.

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