

State Corporation Commission 2020 Fiscal Impact Statement

1. Bill Number: HB1441

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Jones

3. Committee: Labor and Commerce

4. Title: Financial institutions; small loans; penalty.

5. Summary: Prohibits any person from making a small loan unless such person is licensed by the State Corporation Commission. The bill defines "small loan" as an unsecured loan or credit of \$5,000 or less extended to a borrower for a personal, family, household, or other noncommercial purpose pursuant to a small loan agreement. The bill also prohibits any person from engaging in the business of arranging or brokering small loans for any consumer residing in the Commonwealth without registering with the Commission. Under the provisions of the bill, a licensee may charge and collect periodic interest at any rate up to 36 percent agreed to by the parties and may also charge and collect a customary daily fee. The bill provides exemptions for certain institutions and persons licensed by the Commission to provide consumer finance loans or motor vehicle loans. The bill provides for qualifications for licensure, posting of a bond, financial solvency requirements, reporting requirements, and recordkeeping and retention requirements. The bill authorizes the Commission to investigate and examine applicants and licensees, to revoke or suspend licenses, to issue cease and desist orders, and to impose a civil penalty of up to \$10,000 for violations of the small loan provisions. The bill allows the Commission to refer violations to the Attorney General, and the Attorney General may seek injunctive relief and monetary damages.

6. Budget Amendment Necessary: The State Corporation would likely need additional appropriation for potential costs associated with implementation of the legislation, to be paid from the Bureau of Financial Institutions' Special Fund (all non-general funds). See Item #8.

7. Fiscal Impact Estimates: Fiscal impact estimates are not available. Fiscal impact could be significant. See Item #8.

8. Fiscal Implications: This bill establishes a new chapter under Title 6.2 that would require the Bureau to license and examine lenders making certain open-end loans (referred to as "small loans"). In addition to licensing and examining such lenders, this bill will require Bureau staff to perform other duties including, but not limited to, reviewing and maintaining bonds, reviewing annual reports, handling consumer complaints and registering and maintaining lists of every person engaged in brokering small loans under the proposed new chapter. There will be a fiscal impact, and the SCC would likely need additional appropriation for costs associated with implementation of the legislation. Although costs could be significant, fiscal impact estimates are not available since we do not have any data to reliably estimate the number of entities that

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would apply for, or ultimately obtain, this new small loan license. Thus, the Bureau is unable to determine the number of staff needed to implement and enforce the legislation. Revenue will be generated via application fees as well as annual assessments and would be used to offset expenses (although there is no fee relating to the registration of the brokers). If the budget appropriations, positions and the fees are not sufficient, the Bureau would not be able to fully implement this program as required by the legislation. The bill has an effective date of October 1, 2020.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This is a companion bill to Senate Bill 855 (Lewis).

01/18/20 EJF