Department of Planning and Budget
2020 Fiscal Impact Statement

1. **Bill Number:** SB421

House of Origin	☒	Introduced	☐	Substitute	☐ Engrossed
Second House	☐	In Committee	☐	Substitute	☐ Enrolled

2. **Patron:** Mamie E. Locke

3. **Committee:** Commerce and Labor

4. **Title:** Consumer lending.

5. **Summary:** Replaces references to payday loans with the term "short-term loans." The measure caps the interest and fees that may be charged under a short-term loan at an annual rate of 36 percent, plus a maintenance fee; increases the maximum amount of such loans from $500 to $2,500; and sets the duration of such loans at a minimum of four months, subject to exceptions, and a maximum of 24 months. Short-term loan licensees are required to make a reasonable attempt to verify a borrower's income and may not collect fees and charges that exceed 50 percent of the original loan amount if such amount is equal to or less than $1,500 and 60 percent of the original loan amount if such amount is greater than $1,500. The measure amends the requirements for motor vehicle title loans, including requiring licensed lenders to use a database to determine a prospective borrower's eligibility for a loan and prohibiting loans to a borrower who has an outstanding short-term loan. The measure sets a 36-percent annual interest rate cap on open-end credit plans and allows a $50 annual participation fee. A violation of these provisions is made a prohibited practice under the Virginia Consumer Protection Act. The measure amends provisions of the Consumer Finance Act to, among other things, allow licensed lenders to use the services of access partners and establish requirements that loans be between $300 and $35,000; be repayable in substantially equal installment payments; have a term of no fewer than six and no more than 120 months; charge not more than 36 percent annual interest and a loan processing fee; and require licensees to post a bond. The measure prohibits credit service businesses from advertising, offering, or performing other services in connection with an extension of credit that has an annual interest rate exceeding 36 percent, is for less than $5,000, has a term of less than one year, or is provided under an open-end credit plan. The measure has a delayed effective date of January 1, 2021.

6. **Budget Amendment Necessary**: Yes, Item 483.

7. **Fiscal Impact Estimates:** Preliminary – see item 8.

7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2020	$0	0.00	-
2021	$297,070	4.00	NGF
2022	$297,070	4.00	NGF

2023	$297,070	4.00	NGF
2024	$297,070	4.00	NGF
2025	$297,070	4.00	NGF
2026	$297,070	4.00	NGF

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2020	$0	-
2021	$297,070	NGF
2022	$297,070	NGF
2023	$297,070	NGF
2024	$297,070	NGF
2025	$297,070	NGF
2026	$297,070	NGF

8. Fiscal Implications: The Office of the Attorney General and Department of Law indicates this bill has no fiscal impact.

The proposed legislation expands the scope of the licensing requirements as well as the Commission's supervisory responsibilities in Chapters 15, 18 and 22 of Title 6.2 of the Code of Virginia; however, the State Corporation Commission (SCC) does not have sufficient data to reliably estimate the number of additional entities that would apply for and ultimately become licensed under the provisions of the proposed legislation. Should the industry response be favorable, the SCC estimates that it may need to employ up to four additional full-time equivalent entry-level analysts starting in Fiscal Year 2021 to (i) process and investigate license applications; (ii) examine new licensees for compliance with law, (iii) handle consumer complaints; and (iv) perform other related tasks required by legislation. The estimated annual total cost of these positions (including salary, benefits, training, travel, etc.) is $297,070.

Revenues generated by the nonrefundable application and annual assessment fees would be used to offset the costs of hiring additional staff.

9. Specific Agency or Political Subdivisions Affected: Office of the Attorney General and Department of Law, State Corporation Commission

10. Technical Amendment Necessary: No.

11. Other Comments: Companion to HB789