

## State Corporation Commission 2007 Fiscal Impact Statement

**1. Bill Number** HB1955

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

**2. Patron** Morgan

**3. Committee** Commerce and Labor

**4. Title** Payday loans; requires SCC to contract w/third party to establish database through Internet.

**5. Summary/Purpose:** Payday Loan Act. Requires the State Corporation Commission, on or before July 1, 2008, to contract with a third party to establish and administer a database with real-time access through an Internet connection to ensure compliance with the Payday Loan Act. Lenders are prohibited from making a payday loan unless they have obtained information from the database, or other permitted verification source, that the borrower does not have any outstanding payday loans and has not terminated a payday loan within 48 hours. The maximum fee that may be charged in a payday loan is reduced from 15% to 10% of the amount advanced. The measure also (i) prohibits a payday lender from making a payday loan to a borrower if the borrower has a payday loan outstanding or has terminated a payday loan within the preceding 48 hours; (ii) prohibits a lender from instituting collection proceedings against a borrower until 60 days after the date of default; (iii) prohibits a lender from engaging in any unfair, misleading, deceptive, or fraudulent acts or practices in the making or collecting of a payday loan; (iv) requires a lender, when collecting or attempting to collect a payday loan when the check given as security for such loan is dishonored, to comply with the provisions of the Fair Debt Collection Practices Act that apply to debt collectors; (v) authorizes the Commission to impose a penalty on a person who violates any regulation promulgated by the Commission pursuant to the Payday Loan Act or other law or regulation applicable to the conduct of the lender's business; (vi) provides that any provision of a written loan agreement that violates the Payday Loan Act is unenforceable against the borrower; and (vii) prohibits making payday loans to members of the military or their spouses.

**6. Fiscal Impact Estimates:** Fiscal impact estimates are not available. See Item # 8.

**7. Budget amendment necessary:** No

**8. Fiscal implications:** Exact fiscal impact figures cannot be determined without further detailed study. Based on discussions with other state regulators in the United States with experience with similar databases, additional personnel and equipment may be required. Amendments or substitutes to the proposed legislation could significantly change fiscal impact estimates.

**9. Specific agency or political subdivisions affected:** Bureau of Financial Institutions- State Corporation Commission.

**10. Technical amendment necessary:** No

**11. Other comments:** None

**Date:** 01/16/07 / E. J. Face, Jr.

cc: Secretary of Trade and Commerce