

## State Corporation Commission 2008 Fiscal Impact Statement

**1. Bill Number:** SB588

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

**2. Patron:**        Puckett

**3. Committee:** Commerce and Labor

**4. Title:**        **Payday Loan Act.**

**5. Summary:** Payday Loan Act. Requires the State Corporation Commission, by July 1, 2009, to certify and contract with one or more third parties to develop, implement, and maintain an Internet-accessible database, and requires payday lenders to query the database prior to making any loan to determine whether an applicant is eligible for the loan. Fifty cents may be charged to defray the costs of using the database. A payday lender is prohibited from making a payday loan to a person who has terminated a payday loan on the loan application date, or if the loan would cause the borrower to have more than three payday loans outstanding at the same time. Payday lenders are prohibited from knowingly making loans to a member of the military service or to the spouse or dependent of such person. If a borrower obtains three or more consecutive payday loans, the borrower may enter into an extended payment plan, which allows the borrower to repay the loan in at least two equal installments over 60 days. A payday loan may not be made to a borrower in an extended payment plan. Other provisions (i) prohibit a lender from engaging in any unfair, misleading, deceptive, or fraudulent acts or practices in the making or collecting of a payday loan; (ii) require 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 certain restrictions and prohibitions contained in the Fair Debt Collection Practices Act; (iii) provide that any provision of a written loan agreement that violates the Payday Loan Act is unenforceable against the borrower; (iv) state that the provisions of the Payday Loan Act apply to Internet lenders; and (v) allow licensees to secure payday loans with the borrower's electronic debit authorization.

**6. Fiscal Impact Estimates:** Moderate impact. See Item # 8.

**7. Budget Amendment Necessary:** No.

**8. Fiscal Implications:** Based on conversations among senior staff of the State Corporation Commission's Bureau of Financial Institutions and senior staff of other state financial regulatory departments using payday loan databases, the Bureau anticipates it would need to employ one additional analyst to adequately monitor the data provided by licensed payday lenders to the database on a regular basis, to determine the effectiveness of the database. It is estimated that the additional annual expense to the Bureau for this added full time position would be moderate. This expense will be recovered from the licensed industry as prescribed in § 6.1-457 of the Code of Virginia.

**9. Specific Agency or Political Subdivisions Affected:** State Corporation Commission and its Bureau of Financial Institutions

**10. Technical Amendment Necessary:**

**11. Other Comments:** None.

**Date:** 2/4/2008 ejf

cc: Secretary of Commerce and Trade