

**State Corporation Commission
2010 Fiscal Impact Statement**

1. Bill Number: SB424

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

2. Patron: Herring

3. Committee: Commerce and Labor

4. Title: **Motor vehicle equity loans; penalties.**

5. Summary: Motor vehicle equity loans; penalties. Establishes requirements for motor vehicle equity loans, which are nonpurchase-money closed-end loans secured by an interest in a motor vehicle. Interest may not exceed a monthly rate of three percent. The maximum amount of a motor vehicle equity loan is 50 percent of the vehicle's value, not to exceed \$2,500. The maximum term of a loan is one year. Motor vehicle equity lenders are required to be licensed by the State Corporation Commission. A violation of the measure is a prohibited practice under the Consumer Protection Act. Violations are subject to civil and criminal penalties.

6. Fiscal Impact Estimates: Preliminary. See Item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: Based on information derived from other state regulatory departments which currently license these lenders, the Bureau of Financial Institutions (BFI) anticipates it may need to employ up to four additional individuals to (i) process and investigate approximately 50-100 expected application for license, (ii) examine licensees for compliance with law, and (iii) perform other related tasks required by legislation. It is estimated that the additional annual expense to the BFI for these full time employees would be moderate (including salary, benefits, training, etc.). These expenses will be recovered from the licensed industry via annual fees as prescribed in proposed § 6.1-493, and by application fees as proposed by § 6.1-483.

Projected annual revenue should more than adequately cover all annual expenses associated with supervision and regulation of the industry.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

10. Technical Amendment Necessary: None noted.

11. Other Comments: No.

Date: 1/20/2010 EJF, Jr.