

State Corporation Commission 2010 Fiscal Impact Statement

1. Bill Number: SB606

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

2. Patron: Saslaw

3. Committee: Commerce and Labor

4. Title: Motor vehicle title loans; penalties.

5. Summary: Motor vehicle title loans; penalties. Establishes requirements for motor vehicle title loans, which are nonpurchase money revolving loans secured by an interest in a motor vehicle. Under this measure, if the loan balance is not paid in full within a 25-day grace period (in which case interest does not accrue), interest shall not exceed 22 percent per month on the portion of the outstanding balance of the loan that does not exceed \$700; 18 percent per month on the portion between \$700 and \$1,400; and 15 percent per month on the portion that exceeds \$1,400. There is no cap on the size of such loans. Money advanced under the loan agreement is required to be repaid in monthly payments over the 12 months following an advance. Interest does not accrue on a loan after the motor vehicle securing the loan has been repossessed or after 60 days following the failure to make a payment. Lenders are barred from seeking a deficiency judgment against a borrower following repossession or sale of the motor vehicle. 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: Are 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 EJJ, Jr.