

State Corporation Commission 2019 Fiscal Impact Statement

1. Bill Number: HB2196

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

2. Patron: Rodman

3. Committee: Appropriations

4. Title: Debt settlement services; civil penalties.

5. Summary: Establishes procedures and requirements for the licensure by the State Corporation Commission of agencies providing debt settlement services. The measure defines debt settlement services as any action or negotiation initiated or taken by or on behalf of any consumer with any creditor of the consumer for the purpose of obtaining debt forgiveness of a portion of the credit extended by the creditor to the consumer or reduction of payments, charges, or fees payable by the consumer. The measure authorizes the Commission to issue one license to engage in the business of providing or offering to provide debt management plans, debt settlement services, or both. The measure prohibits licensed debt settlement services agencies from accepting fees from consumers prior to providing the consumers' requested debt settlement services. The measure makes licensees offering debt settlement services subject to requirements currently applicable to licensees providing debt management plans. The measure also (i) prohibits certain advertising practices by new licensees, (ii) provides for the assessment of civil penalties, and (iii) grants individual consumers a private right of action. Violations are also a prohibited practice under the Virginia Consumer Protection Act.

6. Budget Amendment Necessary: Yes, the SCC will need additional appropriations for the new positions being added. Item 477 of the 2018-2020 Biennium Budget for Fiscal Year 2020 will need to be amended.

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$0	0	
2020	\$195,300	3.0	NGF
2021	\$195,300	3.0	NGF
2022	\$195,300	3.0	NGF
2023	\$195,300	3.0	NGF
2024	\$195,300	3.0	NGF
2025	\$195,300	3.0	NGF

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7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2019	\$0	NGF
2020	\$195,300	NGF
2021	\$195,300	NGF
2022	\$195,300	NGF
2023	\$195,300	NGF
2024	\$195,300	NGF
2025	\$195,300	NGF

8. Fiscal Implications: Beginning in FY 2020, the SCC estimates one position to receive and investigate license applications (\$65,100) and two entry level examiners would be required to examine licensed debt settlement service agencies and handle consumer complaints (\$65,100 per position).

The revenues generated by the nonrefundable application fees and annual fees would be used to offset the costs associated with the operation of this program. However, until sufficient fees are collected, the SCC would have to redirect other resources to implement this program and support the positions. Assuming a favorable response from the debt settlement industry, additional positions and funding might be necessary.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission and the Commission's Bureau of Financial Institutions.

10. Technical Amendment Necessary: No

11. Other Comments: The Substitute for House Bill 2196 was left in House Appropriations.

02/11/2019 DRP