

Department of Planning and Budget

2019 Fiscal Impact Statement

1. Bill Number: SB1112

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

2. Patron: Howell

3. Committee: Commerce and Labor

4. Title: Student loans; licensing of qualified education loan servicers, civil penalties.

- 5. Summary:** Prohibits any person from acting as a qualified education loan servicer except in accordance with provisions established by this bill. The bill requires a loan servicer to obtain a license from the State Corporation Commission (SCC) and establishes procedures pertaining to such licenses. Banks, savings institutions, credit unions, and nonprofit institutions of higher education are exempt from the licensing provisions. The servicing of a qualified education loan encompasses (i) receiving any scheduled periodic payments from a qualified education loan borrower pursuant to the terms of a qualified education loan; (ii) applying the payments of principal and interest and such other payments, with respect to the amounts received from a qualified education loan borrower, as may be required pursuant to the terms of a qualified education loan; and (iii) performing other administrative services with respect to a qualified education loan. Qualified education loan servicers are prohibited from, among other things, (a) misrepresenting the amount, nature, or terms of any fee or payment due or claimed to be due on a qualified education loan, the terms and conditions of the loan agreement, or the borrower's obligations under the loan; (b) knowingly misapplying or recklessly applying loan payments to the outstanding balance of a qualified education loan; and (c) failing to report both the favorable and unfavorable payment history of the borrower to a nationally recognized consumer credit bureau at least annually if the loan servicer regularly reports information to such a credit bureau. Violations are subject to a civil penalty not exceeding \$2,500.

The bill has a delayed effective date of July 1, 2020, but provides that applications shall be accepted, and investigations commenced, by the SCC beginning March 1, 2020.

- 6. Budget Amendment Necessary:** No. Item 477 of Senate Bill 1100, 2019 includes a budget amendment for \$65,100 nongeneral fund appropriation and one full-time equivalent position in fiscal year 2020 for the State Corporation Commission to oversee the licensing of qualified education loan servicers.

7. Fiscal Impact Estimates: Preliminary – see Item 8.

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$0	0.00	-
2020	\$65,100	1.00	NGF
2021	\$168,600	2.00	NGF
2022	\$246,800	3.00	NGF
2023	\$246,800	3.00	NGF
2024	\$246,800	3.00	NGF
2025	\$246,800	3.00	NGF

Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2019	\$0	0.00	-
2020	\$65,100	0.00	NGF
2021	\$168,600	0.00	NGF
2022	\$246,800	0.00	NGF
2023	\$246,800	0.00	NGF
2024	\$246,800	0.00	NGF
2025	\$246,800	0.00	NGF

- 8. Fiscal Implications:** The proposed legislation requires the State Corporation Commission (SCC) to begin accepting applications for licenses on or before March 1, 2020. The SCC estimates one full-time equivalent position is needed in fiscal year 2020 to receive license applications from qualified education loan servicers on or before March 1, 2020, and commencing the investigation of, such applications for licensure. The estimated total cost of the one full-time equivalent position, including benefits, is \$65,100.

Beginning in fiscal year 2021, an additional full-time equivalent position with the knowledge of and expertise in the qualified education loan servicing industry would be needed to serve as a program manager to receive and investigate consumer complaints. The estimated total cost of one full-time program manager, including benefits, is \$103,500. In fiscal year 2022, the SCC expects an entry-level examiner would be needed to examine the qualified education loan servicer licensees. The estimated total cost of the full-time equivalent examiner position is \$78,200, including benefits.

The revenues, generated by the nonrefundable application and annual fees, would be used to offset the costs associated with the operation of the qualified education loan servicer program; however, until sufficient fees are collected, the SCC may have to redirect other resources to implement this program and support staff. The potential need for supplemental resources will depend upon the volume of applications received and number of investigations conducted of qualified education loan servicers.

The proposed legislation requires the SCC to forward investigations of qualified education loan servicers applicants to the Central Criminal Records Exchange, which is managed by the Virginia State Police. The Virginia State Police does not expect it will incur additional costs to conduct criminal history searches of qualified education loan servicers.

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

10. Technical Amendment Necessary: No.

11. Other Comments: The proposed legislation is a companion to House Bill 1760 (Simon), except House Bill 1760 has a delayed effective date of October 1, 2020.