

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: HB10-S1

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

2. Patron: Simon

3. Committee: Finance and Appropriations

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

5. Summary: The substitute prohibits any person from acting as a qualified education loan servicer except in accordance with provisions established by this bill. The bill requires a qualified education 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 financial institutions subject to regulation under 12 U.S.C. § 2002 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 or notification of such payments; (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; (iii) maintaining account records for the loan; (iv) communicating with the qualified education loan borrower regarding the qualified education loan, on behalf the qualified education loan holder; or (v) interacting with a student loan borrower, including conducting activities to help prevent default on obligations arising from qualified education loans or to facilitate any activities described in clause (i) or (ii). 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 provisions of the first enactment of the bill shall become effective July 1, 2021. The SCC can begin accepting applications for licenses on or before March 1, 2021. The SCC shall submit a report to the House Labor and Commerce Committee, Senate Commerce and Labor Committee, House Education Committee, and Senate Education and Health Committee on or before November 1, 2022. The report shall include (i) the number of licenses issued; (ii) the number of applications that were denied and reasons for the denials; (iii) the number of licensees that filed a written report with the SCC; (iv) the number and nature of complaints received; and (v) the number of investigations and examinations resulting from complaints and the disposition of such investigations and examinations.

- 6. Budget Amendment Necessary:** No. House Bill/Senate Bill 30 provides the State Corporation Commission (SCC) with \$123,455 nongeneral fund appropriation in fiscal year 2021 and \$211,390 nongeneral fund appropriation along with two full-time equivalent positions in fiscal year 2022. The total fiscal impact for the SCC is \$188,555 in fiscal year 2021 and \$276,490 in fiscal year 2022. The SCC will utilize \$65,100 nongeneral fund appropriation and one full-time equivalent position currently provided in Chapter 854, 2019 Acts of Assembly to implement the provisions of this bill.

House Bill/Senate Bill 30 provides the Virginia State Police (VSP) with one full-time equivalent position to perform fingerprint background checks on prospective qualified education loan servicers at a cost of \$81,868 general fund each year beginning in fiscal year 2021.

- 7. Fiscal Impact Estimates:** Preliminary – see Item 8.
- 8. Fiscal Implications:** The bill requires a qualified education loan servicer to obtain a license from the SCC and register with the Nationwide Multistate Licensing System and Registry (Registry), the nationwide multistate licensing system and registry created by the Conference of State Bank Supervisors and the American Association of Residential Mortgage Regulators. The SCC shall include any terms, conditions, or requirements applicable to registration of qualified education loan servicers and registration renewal in its regulations. The SCC is authorized to collect registration and renewal fees on behalf of the Registry and remit the fees to the Registry or permit the Registry to collect any fees imposed by this legislation and remit such fees to the SCC.

The proposed legislation is expected to have a minimal fiscal impact for the SCC as the agency would need to hire staff to receive and investigate education license applications. The SCC would need one full-time equivalent position in fiscal year 2021 and three full-time equivalent positions in fiscal year 2022. The total costs of these positions, including benefits, is \$188,555 in fiscal year 2021 and \$276,490 in fiscal year 2022. Any costs incurred by the SCC are expected to be supported through revenue collected from fees paid by education loan servicers as well as any civil penalties.

The bill requires education license applicants to consent to a criminal background investigation and submit fingerprinting. The SCC shall forward this information to the Central Criminal Records Exchange, which is managed by the VSP. House Bill/Senate Bill 30 provides VSP with one full-time equivalent position and \$81,868 general fund appropriation to address the additional workload that would result pursuant to the passage of this legislation. Depending upon the number of applications received by the SCC, the VSP may require additional staff to process fingerprints of education loan applicants.

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

- 10. Technical Amendment Necessary:** No.

11. Other Comments: This bill is identical to SB 77-S1 (Howell).