

State Corporation Commission

2020 Fiscal Impact Statement

1. Bill Number: SB33

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

2. Patron: Surovell

3. Committee: Commerce and Labor

4. Title: Consumer finance companies; loans, licensing.

5. Summary: Requires the State Corporation Commission (“Commission”), as a condition of licensing a consumer finance company, to find that the applicant will not make consumer finance loans at the same location at which the applicant makes payday loans or motor vehicle title loans. The measure also (i) sets the minimum and maximum amounts of a consumer finance loan at \$500 and \$35,000, respectively; (ii) requires that such loans be installment loans with a term that is not less than six months nor more than 120 months; (iii) sets the maximum annual interest rate on such loans at 36 percent; (iv) authorizes late payment fees of \$20, provided that they are set forth in a contract; and (v) authorizes loan processing fees of the greater of \$75 or five percent of the principal amount of the loan but not to exceed \$150. The measure also updates several administrative provisions regarding the regulation of consumer finance companies. These provisions include matters relating to the licensing process, license suspension and revocation, conducting other types of business, investigations, examinations, fees, recordkeeping, civil penalties, reporting, and enforcement, including the issuance by the Attorney General of civil investigative demands. The measure adds a bonding requirement and authorization to issue cease and desist orders. The measure replaces the existing system under which a separate license is issued by the Commission for each office in the Commonwealth where a person makes consumer finance loans to one that provides for the issuance of a single license to a consumer finance company, which may allow it to make loans at multiple locations. The measure also authorizes the Commission to license out-of-state consumer finance companies, including lenders that operate via the Internet. The measure has a delayed effective date of January 1, 2021.

6. Budget Amendment Necessary: The State Corporation may need additional appropriation for potential costs associated with implementation of the legislation, to be paid from the Bureau of Financial Institutions’ Special Fund (all non-general funds). See Item #8.

7. Fiscal Impact Estimates: Fiscal impact estimates are not available. Fiscal impact could be significant. See Item #8.

8. Fiscal Implications: The proposed legislation expands the scope of the licensing requirements of Chapter 15 of Title 6.2 of the Code of Virginia to include out of state lenders and lenders that conduct business over the Internet; however, the Commission does not have sufficient data to reliably estimate the number of additional entities that would apply for and ultimately become licensed under the provisions of the proposed legislation. Should the

industry response be favorable, the Commission may need to hire additional staff to investigate license applications, handle consumer complaints, and conduct examinations of new consumer finance licensees. Revenue generated via application fees and annual assessments would be used to offset expenses.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This bill was recommitted to Senate Commerce and Labor from the Senate Floor on February 11, 2020. The bill has been left in Commerce and Labor.

02/12/20 EJF