

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0396-01  
Bill No.: HB 164  
Subject: Banks and Financial Institutions: Business and Commerce; Economic  
Development Dept  
Type: Original  
Date: January 19, 2005

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**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>                      |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated<br/>Net Effect on <u>Other</u><br/>State Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2006</b> | <b>FY 2007</b> | <b>FY 2008</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the AGO will need to request additional staff to handle the increase in workload.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Department of Economic Development - Division of Credit Unions** stated there would be no fiscal impact on their agency.

According to officials from the **Department of Economic Development - Division of Finance (DED-FIN)**, the proposal would have little affect on DED-FIN as they would still examine the same licensees for essentially the same things as now although they would be applying different standards.

The proposal would require very little additional effort by DED-FIN. They would do an annual

ASSUMPTION (continued)

report rather than a biennial report on payday lenders and DED-FIN believes this could be done with existing resources and therefore file a zero fiscal note.

Impact on Total State Revenue would occur if civil penalties were collected; however, DED-FIN does not currently anticipate the collection of civil penalties.

| <u>FISCAL IMPACT - State Government</u> | FY 2006<br>(10 Mo.) | FY 2007    | FY 2008    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2006<br>(10 Mo.) | FY 2007    | FY 2008    |
|---|---------------------|------------|------------|
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Many of the "payday" lenders are small businesses and this will change the statutes under which they conduct business, limiting some of their fee income.

DESCRIPTION

This proposal changes the laws regarding unsecured loans of \$500 or less:

- (1) Limits the interest and other fees that may be charged on the loans to \$15 for the first \$100 of principal for the first 30 days of the loan and not more than 3% per month thereafter, which is an annual percentage rate of approximately 36%;
- (2) Prohibits repeated renewals of loans to circumvent interest rate restrictions;
- (3) Grants jurisdiction to the Attorney General to issue cease and desist orders against violators;
- (4) Allows the Attorney General to sue for injunctions, rescission of loan contracts and restitution, and civil penalties for violations; and


DESCRIPTION (continued)

(5) Clarifies that the limitations apply to all lenders, whether or not they are properly licensed pursuant to Chapter 408, RSMo.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
    Division of Finance  
    Division of Credit Unions  
Office of State Courts Administrator  
Office of Attorney General



Mickey Wilson, CPA  
Director  
January 19, 2005