

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6669-01  
Bill No.: HB 2657  
Subject: Consumer Protection; Banks and Financial Institutions; Savings and Loan  
Type: Original  
Date: March 26, 2018

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Bill Summary: This proposal changes the law regarding unsecured loans of five hundred dollars or less.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on General Revenue</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Division of Finance Fund	(\$133,000)	(\$133,000)	(\$133,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$133,000)</b>	<b>(\$133,000)</b>	<b>(\$133,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume Section 408.500.1 decreases the annual license fee from five hundred to three hundred dollars. The department estimates a cost to the Division of Finance Fund of \$133,000 annually (665 licenses x \$200).

Officials from the **Attorney General’s Office (AGO)** assume any potential cost arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if the proposal results in a significant increase in cases.

Officials from the **Office of the State Courts Administrator** assume there may be some fiscal impact but there no way to quantify that currently. Any significant changes will be reflected in future budget request.

Officials from the **Joint Committee on Administrative Rules**, the **Office of the Secretary of State** and the **Department of Economic Development** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>DIVISION OF FINANCE FUND</b>			
<u>Loss - DIFP</u> Decrease in annual fee from \$500 to \$300	<u>(\$133,000)</u>	<u>(\$133,000)</u>	<u>(\$133,000)</u>
<b>ESTIMATED NET EFFECT TO THE DIVISION OF FINANCE FUND</b>	<b><u>(\$133,000)</u></b>	<b><u>(\$133,000)</u></b>	<b><u>(\$133,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### FISCAL IMPACT - Small Business

Small business lenders will be impacted by this proposal.

### FISCAL DESCRIPTION

This bill modifies the law relating to unsecured loans of \$500 or less, commonly referred to as payday loans.

Currently, payday lenders are required to pay an annual licensing fee of \$500 per location. This bill reduces that amount to \$300 per location.

Currently, the number of loan renewals is limited to six times. This bill lowers the number of renewals to two. Borrowers may pay outstanding loans by means of an extended payment plan (EPP) with the following conditions:

- (1) A borrower is not eligible to enter into more than one EPP in any 12-month period with an individual lender;
- (2) A borrower must sign a written agreement to repay the amount owed in four or less equal installments over 60 or less days if the borrower receives bi-monthly paychecks or over 120 or less days if the borrower receives monthly paychecks;
- (3) Interest does not accrue on the loan during the EPP and the borrower may prepay an EPP in full at any time without penalty;
- (4) If the borrower fails to pay the amount due under the EPP, the lender can immediately accelerate the unpaid balance;
- (5) If a borrower enters into an EPP, the lender cannot make another loan to the borrower until the loan is re-paid in full;
- (6) The lender must post a notice in the lobby that the borrower can use an EPP; and
- (7) The borrower must enter into the EPP by the close of business on the day before the due date of the loan.

If a borrower fails to pay off the loan, the lender cannot charge additional fees or interest on the outstanding loan.

FISCAL DESCRIPTION (continued)

Currently, the total amount of accumulated interest and fees are limited to 75%. This bill reduces that amount to 35%. Lenders are required to comply with the Fair Debt Collection Practices Act regarding harassment or abuse, false or misleading misrepresentations, and unfair practices when collecting on a payday loan.

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 Insurance, Financial Institutions and Professional Registration  
Attorney General's Office  
Office of the State Courts Administrator  
Joint Committee on Administrative Rules  
Office of the Secretary of State  
Department of Economic Development

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