

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 84** SLS 14RS 85

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 7, 2014 12:55 PM	Author: NEVERS
Dept./Agy.: Office of Financial Institutions (OFI)	Analyst: Travis McIlwain
Subject: Consumer Credit Transactions	

CONSUMERS EG INCREASE SG EX See Note Page 1 of 1
Provides relative to consumer credit transactions.

Proposed legislation provides that an extender of credit shall not accept a check from the issuer and agree to hold the check for a period of time in exchange for payment to the issuer. Proposed legislation no longer exempts a creditor having no office within Louisiana from the consumer loan licensing requirements in Title 9. Proposed legislation provides that no consumer shall enter into more than 10 small loans within 12 consecutive months. Current law defines a small to mean a consumer loan of \$350 or less made for a term of 60 days or less. Proposed legislation prohibits a deferred presentment licensee from making deferred presentment transactions or small loans disguised as personal property sales, consumer credit sales and leaseback transactions, from disguising a deferred presentment transaction or small loan as a revolving line of credit. Proposed legislation provides that the performance of the prohibited acts under LA's Deferred Presentment & Small Loan Act shall constitute a violation of LA's Unfair Trade Practices & Consumer Protection Law. Proposed legislation provides for the OFI to implement the use of a single common database with real-time access through the internet for licensed lenders who make deferred presentment transactions and small loans. Proposed legislation provides for the database shall be accessible to the commissioner of OFI shall be able to verify the number and nature of transactions that are outstanding for a particular consumer.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

This bill is anticipated to result in an indeterminable increase in state expenditures for the Office of Financial Institutions (OFI) to implement a single common database. The specific costs of such real time database is unknown at this time. However, OFI reports that other states typically utilize third-party vendors to create such databases and the cost of the vendor is paid for through the issuance of a \$0.50/transaction rate. This fee would be assessed for each deferred presentment entered into the database by the lender.

This legislation does not grant OFI the authority to charge a fee for this database. However, to the extent this bill allowed such a fee, based upon the a \$0.50/transaction and the number of 2013 transactions in Louisiana (3,126,278), the costs of such a database utilizing a vendor could be approximately \$1.6 million. Due to this bill not providing for the licensees to pay for the cost of the database, the entire cost is anticipated to be paid by the OFI using its self-generated revenues.

REVENUE EXPLANATION

This bill does provide for businesses who violate the Deferred Presentment & Small Loan Act will be considered violators of Louisiana's Unfair Trade Practices & Consumer Protection Law. Pursuant to R.S. 51:52, any violation of the Unfair Trade Practices & Consumer Protection Law is a fine of not more than \$2,500 or imprisoned for not more than 90 days, or both. Decisions on where these fines and penalties are deposited will be made by the courts.

NOTE: The OFI typically reverts unexpended self-generated revenues to the SGF every year in an amount ranging from \$10 million to \$12 million. The LFO assumes the costs of this database will be borne by the OFI's self-generated revenues, which will indirectly reduce the amount self-generated revenues reverted to the SGF annually.

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| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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