

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 679** SLS 14RS 1360

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 7, 2014 5:59 PM	<b>Author:</b> NEVERS
<b>Dept./Agy.:</b> Office of Financial Institutions (OFI)	<b>Analyst:</b> Travis McIlwain
<b>Subject:</b> Consumer Credit Transactions	

LOANS OR INCREASE SG EX See Note Page 1 of 1  
To provide relative to certain consumer credit transactions. (8/1/14)

Proposed bill provides that a consumer credit transaction shall be null and void if the creditor has not obtained a license. Proposed bill provides that any person required to be licensed shall prior to application for licensure be duly registered with the secretary of state. Current law allows deferred presentment transactions or small loans to charge a fee not to exceed 16.75% of the face amount of the check provided that such fee does not exceed \$45. Proposed bill amends current law and provides a licensee may charge a one-time loan origination fee of 15% of the face amount of the check. Proposed bill provides for new repayment plan and terms. Proposed bill limits the number of loans a person may obtain to not more than 1 at a time and a maximum of 5 in a 12 month period. 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. Proposed bill provides for the legislative auditor as an agent of the commissioner and shall have the authority to examine all records of deferred presentment transactions or small loans from the licensee.

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

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

**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. However, based upon research of OFI, other states that have implemented similar measures have resulted in an average 30% decline in the number of transactions. To the extent there is a 30% decline in the number of transactions, assuming the same \$0.50/transaction would result in costs of \$1.1 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 the 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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