

February 3, 2014

The Honorable Rob Olson, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 236-E
Topeka, Kansas 66612

Dear Senator Olson:

SUBJECT: Fiscal Note for SB 282 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 282 is respectfully submitted to your committee.

SB 282 would amend the Kansas Uniform Consumer Credit Code (UCCC) to allow for an alternate procedure for companies to offer certain installment loans. The bill would allow installment loans to be made for amounts between \$100 and \$2,000 and for a term of at least three months up to 25 months. The bill would allow installment lenders to charge a finance charge of up to 10.0 percent of the amount financed and an additional installment handling charge based on the amount of the loan. Installment lenders would be prohibited from making more than one installment loan to the same borrower at any one time. The bill would also prohibit payday and title loan lenders from making installment loans.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2014 SGF | FY 2014 All Funds | FY 2015 SGF | FY 2015 All Funds |
| Revenue | -- | -- | -- | \$211,800 |
| Expenditure | -- | -- | -- | \$75,096 |
| FTE Pos. | -- | -- | -- | 1.00 |

The Office of the State Bank Commissioner estimates SB 282 would generate a total of \$211,800 in additional revenues to the Bank Commissioner Fee Fund in FY 2015. To formulate this estimate, the Division of Consumer and Mortgage Lending at the Office of the State Bank Commissioner estimates that the bill would require the regulation of at least three companies that would provide installment loans with approximately 120 total branches located across the state.

The Honorable Rob Olson, Chairperson

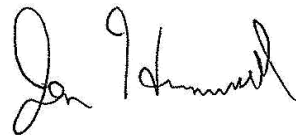
February 3, 2014

Page 2—SB 282

Each main office and branch would be required to pay a licensing fee of \$600 per year, which would generate a total of \$73,800 in additional revenues to the State Bank Commissioner Fee Fund in FY 2015. Additionally, the agency would be authorized to charge a volume fee that would be assessed for each loan obligation that is made during the calendar year. The agency estimates that approximately \$138,000 in volume fees would be generated in FY 2015. However, it could take several years for companies to open up all planned branches based on market demand, which has the potential to significantly reduce the amount of estimated revenue from licensee and volume fees.

The agency indicates that it would require approximately \$75,096 from the Bank Commissioner Fee Fund for salaries and wages, training and travel costs, office space, equipment, and supplies to regulate installment loan providers in FY 2015. The agency indicates that it would hire 1.00 additional FTE position to conduct examinations of installment loan providers to ensure compliance with the requirements of SB 282. However, the overall costs of regulating installment loan providers may be significantly higher or lower depending on the number of actual installment loan branches that are realized. Any fiscal effect associated with SB 282 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,
Interim Director of the Budget

cc: Judi Stork, Banking Department