Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
Fax: (785) 296-0231
shawn.sullivan@budget.ks.gov

Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

February 26, 2015

The Honorable Pete DeGraaf, Chairperson
House Committee on Financial Institutions
Statehouse, Room 459-W
Topeka, Kansas 66612

Dear Representative DeGraaf:

SUBJECT: Fiscal Note for HB 2374 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2374 is respectfully submitted to your committee.

HB 2374 would place restrictions for companies that offer certain types of installment loans. The bill would allow installment loans to be made for amounts between $300 and $2,000 and for a term of at least six months and not more than 24 months. The bill would allow installment lenders to charge a processing fee of 10.0 percent of the amount financed up to maximum of $150, and an additional installment handling charge based on the amount of the loan. The bill would allow the unearned portion of the installment handling charge to be refunded if the outstanding balance of the installment loan are paid in full or a new or renewal installment loan is issued at least 30 days before the final installment loan payment is due. The bill would allow installment lenders to charge a delinquency fee of up to $15 for each payment that is default for longer than 10 days and an insufficient check charge of at least $20 or the actual charge from the depository institution for the returned check. The bill allows the borrower to rescind the installment loan by returning the loan proceeds within five business days of when the loan was made.

Estimated State Fiscal Effect				
	FY 2015 SGF	FY 2015 All Funds	FY 2016 SGF	FY 2016 All Funds
Revenue	--	--	--	$175,200
Expenditure	--	--	--	$74,550
FTE Pos.	--	--	--	1.00

The Office of the State Bank Commissioner estimates HB 2374 would generate a total of $175,200 in additional revenues to the Bank Commissioner Fee Fund in FY 2016. To formulate this estimate, the Division of Consumer and Mortgage Lending at the Office of the State Bank Commissioner assumes 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. Each main office would be required to pay a licensing fee of $400 per year and each branch office would pay a licensing fee of $300 per year, which would generate a total of $37,200 in additional revenues to the State Bank Commissioner Fee Fund in FY 2016. 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 2016. 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 $74,550 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 2016. 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 HB 2374. 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 HB 2374 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Judi Stork, Banking