

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 570 (Senate Finance Committee Substitute) Update Consumer Finance Act

SHORT TITLE: Update Consumer Finance Act

SPONSOR(S): Senators Hoyle et al.

FISCAL IMPACT

	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
Office of the Commissioners of Banks					
REVENUES					
Application Fee	\$500	\$650	\$650	\$650	\$650
EXPENDITURES					
			No Fiscal Impact		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Banking Commission; The Office of the Commissioner of Banks					
EFFECTIVE DATE: The act becomes effective October 1, 1999 and applies to loans made on or after that date.					

BILL SUMMARY:

The bill makes several changes to the North Carolina Consumer Finance Act. The bill increases the loan threshold amounts on which maximum interest charges can be applied. SB 570 increases the lower threshold for the 30% tax from \$1,000 to \$2,000 and the upper threshold for 18% interest from \$7,500 to \$10,000. The bill raises the fee for investigating license applications and establishes a maximum fee for closing loans.

ASSUMPTIONS AND METHODOLOGY:

Section 2 of the bill increases the fee for investigating license applications from \$250 to \$275. The Office of the Commissioner of Banks received 26 applications in calendar year 1998 and received 8 applications in the first three months of 1999. Since the Consumer Finance Administrator at the Office of the Commissioner of Banks described 1998 as a typical year for license applications, this fiscal note assumes 26 applications per year. A \$25 increase for 26 applications equals \$650. The October 1, 1999 effective date will reduce this revenue increase by one-fourth in FY 1999-00.

Current law allows consumer finance agencies to assess a reasonable credit investigation charge based on the actual cost of an investigation. Section 3 of the bill changes the law to set this closing charge at \$25. Consumer finance agencies retain the revenue generated by this fee, not the state. The Office of the Commissioner of Banks reported credit investigation charges for 70 consumer finance agencies ranged from 0 to \$30 in 1998. The average charge was \$16 and the median charge was \$15 in 1998. Only 21.4% of the reported charges were \$25 or greater.

FISCAL RESEARCH DIVISION 733-4910

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