

South Carolina Board of Economic Advisors Statement of Estimated State Revenue Impact

Date: February 24, 2009
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Bill Number: S. B. 113
Committee Requesting Impact: Senate B & I

Bill Summary: A bill to amend Chapter 39 of Title 34 of the 1976 code, relating to deferred presentment services, by adding [§34-39-175](#) to provide that the Consumer Finance Division of the Board of Financial Institutions must implement a deferred presentment loan tracking database and to provide for information required in the database; to add [§34-39-270](#) to limit consumers to one deferred presentment loan at a time, to provide for a seven day waiting period between loans, to require deferred presentment providers to verify a consumers eligibility for a loan prior to entering a deferred presentment transaction, and to provide for the process to determine eligibility; to add [§34-39-280](#) to provide that under certain circumstances a consumer may utilize a payment plan to satisfy an outstanding loan, to provide for the circumstances under which a payment plan may be used, and the requirements for a payment plan; to add [§34-39-290](#) to provide that the Board must make annual reports and to provide for the contents of those reports; to amend [§34-39-130](#) to provide for the applicability of Chapter 39 of Title 34; to amend [§34-39-150](#) to provide that the application fee for new licenses and license renewal fees are increased from two hundred fifty dollars to five hundred dollars; to amend [§34-39-180](#) to provide for a maximum loan amount based upon the consumer's gross income or five hundred dollars, to provide for consumer warning statements, to provide that deferred presentment providers may not enter into a loan with a consumer satisfying another loan pursuant to an extended payment plan, and to provide that the Board must develop a form to be used by deferred presentment providers to calculate the maximum amount that may be lent to a consumer; to amend [§34-39-200](#) to provide additional limitations on the activities of licensed deferred presentment providers; to amend Chapter 39 of Title 34 by adding [§39-34-205](#) to place on-premises advertising limitations; and to amend [§34-39-170](#) to provide that consumers and deferred presentment providers may not enter into agreements that allow for automatic debited loan payments.

REVENUE IMPACT^{1/}

This bill is expected to allocate \$10,000 in license fees to Departmental Revenues within the state's General Fund in FY 2009-10, and \$143,000 in FY 2010-11. Conversely, the bill is expected to reduce license revenues earmarked to the CFD within the BFI by \$5,000 in FY 2009-10, and by \$71,500 in FY 2010-11.

Explanation: This bill raises the total amount advanced for deferred presentment or deposit in this State, excluding authorized fees, from the current limit of not more than \$300, to lesser of 25% of the customer's gross income during the loan term or \$500. Loan activity would be regulated to ensure only one deferred presentment transaction at a time, and apply to any loan converted to an extended term. Effective January 1, 2010, certain license fee amounts would double as follows: license application for parent company (from \$250 to \$500), respective annual license renewal of parent company (from \$250 to \$500) and every satellite office (from \$50 to \$100). Collections from these fees would be reallocated to the state's General Fund, whereas such fees are now retained as earmarked funds of the Consumer Finance Division (CFD) within the Board of Financial Institutions (BFI). Initial license fees only apply to the parent company. Renewals apply to parent firm and all satellite offices and currently are annually due in September. As such, fee increases apply to newly licensed parent firms for a six-month term in FY 2009-10, and to any office location in FY 2010-11 and thereafter.

During the second half of FY 2009-10, we expect 20 new firms would be assessed a \$500 application fee. Multiplying 20 times \$500 yields \$10,000. Since application fees would shift to the General Fund, this change would raise Departmental Revenue within the state's General Fund by \$10,000 and, based on former rate of \$250 per application, would conversely reduce earmarked funds of the CFD by \$5,000. We expect new fee rates would apply to 180 active firms with 530 satellite offices in FY 2010-11. Multiplying 180 times the \$500 application fee per firm yields \$90,000 and multiplying 530 times the \$100 satellite office fee yields \$53,000 in FY 2010-11. This bill would therefore allocate a total of \$143,000 in license fees to Departmental Revenues within the state's General Fund in FY 2010-11. Based on existing fee rates, the bill would conversely reduce the total yield in funds formerly earmarked to the CFD by \$71,500 in FY 2010-11.

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^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).