

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

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**Date:** February 25, 2009

**Bill Number:** S. B. 47

**Author:** Ford

**Committee Requesting Impact:** Senate B & I

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**Bill Summary:** A bill to amend Chapter 39 of Title 34 of the 1976 code, relating to deferred presentment services, by adding Section (§) [§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 the information required in the database; to add [§34-39-270](#), to place a limit on the amount of outstanding principal a borrower may have, to provide for a two day waiting period between loans, to require deferred presentment lenders to verify a consumer's eligibility for a loan prior to entering into 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 borrower may utilize a payment plan to satisfy outstanding loans, 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 the reports; to amend [§34-39-130](#), to provide for the applicability of Chapter 39; to amend [§34-39-150](#) to provide that the application fee for new licenses and the license renewal fees are each increased from two hundred fifty dollars to five hundred dollars and to provide that half of the fees must be credited to the attorney general's office to establish a division to enforce the provisions of this act; to amend [§34-39-180](#), to provide for a maximum loan amount that may not exceed the lesser of twenty percent of the borrower's gross income during the term of the loan or five hundred dollars and to provide for consumer warning statements; and to amend [§34-39-200](#) to provide additional limitations on the activities of licensed deferred presentment providers.

## REVENUE IMPACT <sup>1/</sup>

This bill is expected to raise earmarked funds within the AG by \$71,500 and, conversely, reduce earmarked funds within the CFD of the BFI by \$37,000 in FY 2009-10. The bill would have no impact on state General Fund revenue.

**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. The bill doubles the fee for a license application (from \$250 to \$500), respective annual license renewal fee for the parent company (from \$250 to \$500) and for each location (from \$50 to \$100), and requires proceeds from one half of license fees be shifted from earmarked funds of the Consumer Finance Division (CFD) of the Board of Financial Institutions (BFI) to the Attorney General's Office (AG) in order to establish and maintain a separate enforcement division for deferred presentment. 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.

Based on the current mix of license fees by parent firm and office location, we expect adoption of this bill would apply to 180 active firms with 530 satellite offices in FY 2009-10. Multiplying 180 times the \$250 net increase in application fee per firm yields \$45,000 and multiplying 530 times the \$50 net increase in renewal fee for a satellite office yields \$26,500 in FY 2009-10. This bill would therefore raise earmarked funds of the AG by a total of \$71,500 in FY 2009-10. Conversely, we expect offsets from higher fees and enhanced regulation of payday loans to yield a total loss of \$37,000 in funds earmarked to the CFD within the BFI in FY 2009-10 based on a net decline of 20 firms, 160 offices, and associated license/investigation/examination fees. Since deferred presentment fees do not apply to the state's General Fund, the bill would not impact General Fund revenue in FY2009-10.

/s/ William C. Gillespie

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<sup>1/</sup> 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).