

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4041-01
Bill No.: HB 1171
Subject: Banks and Financial Institutions: Business and Commerce; Consumer Protection;
Credit and Bankruptcy
Type: Original
Date: May 8, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Department of Economic Development - Division of Credit Unions** state this proposal will have no fiscal impact on their agency.

Officials from the **Department of Economic Development - Division of Finance** state this proposal would require very little additional effort by their agency. They would do an annual report rather than a biennial report on payday lenders and believe this could be done with existing resources.

Officials from the **Office of Attorney General** did not respond to a request for fiscal note.

Oversight assumes the AGO could absorb the cost of the proposed legislation within existing resources. If the AGO experiences an increase that would require additional funding, the AGO could request the funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses in the business of payday loans could see a negative fiscal impact due to limitation on fees and interest.

DESCRIPTION

This proposed legislation changes the laws regarding unsecured loans of \$500 or less. The proposal:

- (1) Limits the interest and other fees that may be charged on the loans to \$15 for the first \$100 of principal for the first 30 days of the loan and not more than 3% per month thereafter, which is an annual percentage rate of approximately 36%;
- (2) Prohibits repeated renewals of loans to circumvent interest rate restrictions;
- (3) Grants jurisdiction to the Attorney General to issue cease and desist orders against violators;
- (4) Allows the Attorney General to sue for injunctions, rescission of loan contracts and restitution, and civil penalties for violations; and
- (5) Clarifies that the limitations apply to all lenders, whether or not they are properly licensed pursuant to Chapter 408, RSMo.

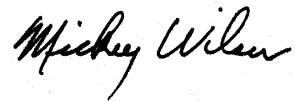
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of State Courts Administrator
Department of Economic Development
Division of Finance
Division of Credit Unions

NOT RESPONDING

Office of Attorney General

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 8, 2006