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Laura Kelly, Governor

March 1, 2023

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2242 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2242 is respectfully submitted to your committee.

HB 2242 would amend the Uniform Consumer Credit Code. Under current law, open-end credit finance charges are determined by the agreement of the involved parties. The bill would establish an annual maximum periodic finance charge of 36.0 percent for open-end credit. The bill would also limit monthly maintenance fees and other fees on open-end consumer credit. Currently, closed-end credit finance charges are generally calculated at a maximum annual rate of 36.0 percent for the portion of credit under $860 and 21.0 percent for a credit over $860. HB 2242 would establish an annual maximum of 36.0 percent for closed-end credit. Under current law, a cash advance loan less than $500 cannot be assessed more than 15.0 percent per week or per month of the amount of the cash advance, which translates to a higher annual percentage rate. The bill would cap that rate at 36.0 percent annually, along with other charges described in the bill. The bill would replace the payday loan section by establishing a small loan that would not exceed $2,500 with a minimum term of three calendar months and a maximum term of 24 months.

HB 2242 would also add new language for loan disclosure information and provide for more restrictions relating to the new small closed-end loans. The bill would create provisions regarding when a lender could accept an interest in a motor vehicle, which would include a prohibition on the lender seeking or obtaining a personal money judgment against the borrower for any amount owed under the loan agreement or for any deficiency resulting after the sale of a motor vehicle. A lender would be allowed to seek a personal money judgment against the borrower for any amounts owed under the loan agreement if the borrower impairs the lender's security interest in certain instances. The bill would require annual reports to be filed with the State Bank

Commissioner. The Commissioner would publish certain information required by the bill annually and would make it available to the public.

Because of the new provisions of HB 2242, the Office of the State Bank Commissioner anticipates a decline in high-interest lenders who currently license with the agency, which would result in a decline in revenue from licensing fees. The Office estimates the bill could reduce revenues by $111,605 in the Bank Commissioner Fee Fund. The agency indicates that the current staff would be able to administer the provisions of the bill, including filing of an annual report and providing training on the new provisions within existing resources. The Office of Judicial Administration indicates HB 2242 would have a negligible fiscal effect on the agency. Any fiscal effect associated with HB 2242 is not reflected in *The FY 2024 Governor's Budget Report*.

The Kansas Association of Counties indicates HB 2242 could have a fiscal effect on local government if their regulatory costs exceed current capacity; however, the Association is unable to estimate the fiscal effect. The League of Kansas Municipalities indicates the bill would not have a fiscal effect on cities.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Brock Roehler, Office of the State Bank Commissioner
Vicki Jacobsen, Judiciary
Wendi Stark, League of Kansas Municipalities
Jay Hall, Kansas Association of Counties