

March 1, 2017

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions & Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2267 by House Committee on Financial Institutions & Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2267 is respectfully submitted to your committee.

HB 2267 would amend current law relating to consumer loans and would impose a cap of 36.0 percent annual percentage rate on all consumer loans with open ended credit, including all fees, interest and charges. The bill would also amend the definition of consumer loans, rules relating to how consumer loans can be repaid by borrowers and how many consumer loans a single borrower can have outstanding from a single lender. The bill would also create maximum monthly fees and disclosures that lenders would be required to provide to borrowers.

HB 2267 would also cap required monthly payments from borrowers to lenders at the greater of either 5.0 percent of a borrower's gross income or 6.0 percent of the borrower's net income. The bill would also require lenders to track and report certain statistics regarding outstanding loans to the State Bank Commissioner; the State Bank Commissioner would be required produce an annual aggregate report on those statistics.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	(\$260,000)	--	(\$260,000)
Expenditure	--	\$106,250	--	\$106,250
FTE Pos.	--	1.50	--	1.50

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The Office of the State Bank Commissioner indicates enactment of HB 2267 would increase expenditures by \$106,250 in FY 2018 and FY 2019. The Office also estimates enactment of the bill would decrease revenues by \$260,000 in FY 2018 and FY 2019.

The agency would require 1.00 additional FTE in the Examination Division with a salary of \$45,000, \$18,650 for benefits, \$1,000 for office equipment and space and \$8,400 for travel to comply with the bill. The agency also estimates a need for 0.50 additional FTE in the Licensing Division with a salary of \$22,500, \$9,700 for benefits, and \$1,000 for office equipment and space to comply with provisions of the bill. The estimated increase in expenditures relating to the bill would be ongoing.

The agency estimates revenues relating to payday loan transactions to decrease by approximately 70.0 percent; this estimate is based on the effect of similar legislation and caps enacted in other states. The agency did not include specific states used to create the estimate; however, it did indicate revenues are volume based and any reduction or increase in revenues would be dependent on how many loans are issued. Any fiscal effect associated with HB 2267 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Judi Stork, Banking