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Adam Proffitt, Director

Laura Kelly, Governor

February 19, 2021

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions and Rural Development
Statehouse, Room 581A-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2189 by House Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2189 is respectfully submitted to your committee.

HB 2189 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 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 2189 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 2189 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 also create provisions regarding when a lender could accept an interest in a 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.

Estimated State Fiscal Effect				
	FY 2021 SGF	FY 2021 All Funds	FY 2022 SGF	FY 2022 All Funds
Revenue	--	--	--	($182,693)
Expenditure	--	--	--	--
FTE Pos.	--	--	--	--

Because of the new provision of the bill, the Office of the State Bank Commissioner anticipates a decline in "payday" lenders who currently license with the agency. The Office estimates the bill could reduce revenues by $182,693 in the Bank Commissioner Fee Fund. The agency indicates that the current staff would be able to administer the provisions of the bill and provide training on the new provisions within existing resources.

The Office of Judicial Administration states that the bill would not have a fiscal effect. Any fiscal effect associated with HB 2189 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Debbie Thomas, Judiciary
Vickie Hurt, Credit Unions
Melissa Wangemann, Office of Banking Commissioner
Willie Prescott, Office of the Attorney General
Lynn Robinson, Department of Revenue