

Fiscal Estimate Narratives

DFI 10/5/2009

LRB Number	09-0925/4	Introduction Number	AB-0447	Estimate Type	Original
Description Payday loan providers, providing an exemption from emergency rule procedures, granting rule-making authority, and providing a penalty					

Assumptions Used in Arriving at Fiscal Estimate

This bill defines "payday loan provider" and includes certain requirements for the industry and for the Department of Financial Institutions.

The Department is to develop rules for governing payday loan providers, including prescribing the form and content of an annual report and establishing a filing fee. The Department is also to develop written educational materials.

Informational Material

This bill requires the department to develop written informational materials to educate individuals on payday loans and the payday loan industry as well as other options for borrowing funds. The informational materials are also to include aggregate data from annual reports submitted to the Department by payday loan providers. This information is to be updated annually and made available, upon request, to payday loan providers and to the public. Payday loan providers are to give a copy of the material to each loan applicant. The information is to be made available on the department's web site as well as in printed format. The Department may charge payday loan providers a fee for printed copies of the informational material.

In 2008, there were nearly 1.7 million payday loans. It is believed that the majority of the lenders will prefer to obtain their informational materials to provide to their applicants from the Department's website. However, it is assumed that approximately 200,000 paper copies of the material will be required to be printed and mailed. The estimated cost for printing and mailing 200,000 two-sided copies is approximately \$12,500. This is an annual cost as new information is to be provided each year. The cost for this will be covered by fees charged to the providers.

Annual Report

There are currently 84 licensed payday lenders with 528 offices. Each of the 84 lenders will be required to submit an annual report to the Department containing information related to their business the previous year. The Department is then to aggregate that information to include in the informational material.

The Department will need to create an on-line application to collect the information, produce the required calculations and receive the annual report fee. The information will also need to be made available on the Department's website. It is estimated that one-time information technology costs will be approximately 500 hours at \$60 per hour, or a total of \$30,000.

Division Staff Costs

The Division of Banking estimates that it will take approximately one-quarter FTE annually to promulgate rules, develop educational materials, enter and compile annual report information, inform the industry and respond to questions, review and follow up on submitted reports, and address non-compliance issues. At an average staff salary of \$62,300, plus fringe benefits of \$25,600, the cost to fund one-quarter position is \$22,000

Revenue

The estimated \$12,500 cost of printing and mailing the educational materials will be covered by fees charged to the providers.

Assuming an annual report fee of \$100, estimated annual revenue received from the 84 pay day lenders is \$8,400.

Fiscal Estimate Summary
Ongoing Expenditures:

Printing and Mailing Educational Materials \$12,500
Salary and Fringe Benefits 22,000
Total Estimated On-Going Costs \$34,500

On-Going Revenue:

Fees recovered from printing and mailing educational materials \$12,500
Annual Report Fees 8,400
Total Estimated Revenue \$20,900

One-Time Costs:

Information Technology Costs \$30,000

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Payday loan providers, providing an exemption from emergency rule procedures, granting rule-making authority, and providing a penalty			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$30,000 one-time technology costs			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$22,000	\$
	(FTE Position Changes)		
	State Operations - Other Costs	12,500	
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$34,500	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS	34,500	
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS	20,900	
	SEG/SEG-S		
	TOTAL State Revenues	\$20,900	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$34,500	\$
	NET CHANGE IN REVENUE	\$20,900	\$
Agency/Prepared By		Authorized Signature	Date
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