Committee on Banking and Insurance

CS/CS/HB 1267 — Consumer Finance Loans

by Commerce Committee; Insurance and Banking Subcommittee; and Rep. Fernandez-Barquin
(CS/SB 580 by Banking and Insurance Committee and Senator Gruters)

The bill revises laws governing consumer finance loans, which are loans of $25,000 or less for which a lender charges an interest rate greater than 18 percent per annum. The Florida Consumer Finance Act (Act) in ch. 516, F.S., provides an exemption from Florida's prohibition against usurious contracts, under which any interest rate greater than 18 percent per annum is prohibited.

Licensure

The bill revises the process for obtaining a license to issue consumer finance loans to allow a single licensure application for the principal place of business and all branches. The bill defines a "branch" as any location, other than a licensee's principal place of business, at which a licensee operates or conducts consumer finance loan business or controls for the purpose of conducting consumer finance loan business.

Interest and Delinquency Charges

Current law limits consumer finance loan interest rates to no more than 30 percent per annum, computed on the first $3,000 of the principal amount; 24 percent per annum on that part of the principal amount exceeding $3,000 and up to $4,000; and 18 percent per annum on that part of the principal amount exceeding $4,000 and up to $25,000. The bill removes the tiered schedule for which interest rates may be charged and increases the maximum interest rate to 36 percent per annum for any loan amount up to $25,000. Consequently, the bill removes language related to calculation of two or more interest rates applied to a principal amount.

The bill increases the number of days a payment must be in default before a delinquency charge may be imposed from 10 days in default to 12 days in default.

Disaster Declarations

The bill requires consumer finance lenders, in any county subject to a Federal Emergency Management Agency (FEMA) Presidential Disaster Declaration, to suspend for 90 days after the initial date of such declaration, the following:

- The application of delinquency charges for payments in default.
- Repossessions of collateral pledged to a consumer finance loan.
- The filing of civil actions for the collection of amounts owed under a consumer finance loan.

Reporting

The bill requires consumer finance lenders to provide notice to the Office of Financial Regulation (OFR) of any assistance program offered by the lender to borrowers impacted by a disaster subject to a FEMA Presidential Disaster Declaration, including:

- The licensed locations affected by the disaster declaration.
- The telephone number, e-mail address, or other contact information for the licensee.
- A brief description of the assistance program available to borrowers in the affected areas.
- The start date and end date, if known, of the program.

The bill also requires consumer finance lenders to annually report information to the OFR detailing loans issued by the lender during the previous calendar year, including:

- The number of locations held by the licensee as of December 31.
- The number of loan originations by the licensee under all licenses.
- The total dollar amount of loans and the number of loans outstanding by the licensee as of December 31.
- The total number of loans in which the licensee holds a security interest in collateral as of December 31.
- The total number of unsecured loans as of December 31.
- The total number of loans, separated by principal amount, in specified ranges as of December 31.
- The total number and amount of loans charged off as of December 31.
- The total dollar amount of loans and the number of loans with delinquency status for specified timeframes.

Fiscal Impact

The OFR estimates a recurring reduction of $5,000 in revenues but the loss is negligible and would not impact operations. Furthermore, the reduction in staff time reviewing full license applications for each additional location when replaced with a branch office license would likely offset any loss in revenue. In addition, the changes proposed within the bill would require the OFR to update its internal licensing system to create a branch license and annual reporting functionality. The cost of such technology changes would be negligible and can be absorbed within existing resources.

If approved by the Governor, or allowed to become law without the Governor's signature, these provisions take effect July 1, 2023.
Vote: Senate 22-9; House 96-18