

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 898

SPONSOR: Senator Childers

SUBJECT: Title Loan Transactions

DATE: February 22, 1999

REVISED: 3-5-99 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Akhavein</u>	<u>Poole</u>	<u>AG</u>	<u>Fav/2 amendments</u>
2.	_____	_____	<u>BI</u>	_____
3.	_____	_____	<u>FP</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill creates the "Florida Title Loan Act" to provide for licensure and regulation by the Department of Agriculture and Consumer Services (department) of all title loan lenders engaging in title loan transactions in Florida. Currently, title loan lenders are required to be registered as Secondhand Dealers with the Department of Revenue.

The bill requires a nonrefundable license fee of \$1,500 and a nonrefundable investigation fee of \$250 to be submitted with an initial application for each title loan location. However, total fees for a single title loan lender with multiple title loan offices would not exceed \$15,000. The bill also provides for renewal and reactivation fees. The revenue from these fees is intended to reasonably reflect the actual cost of regulation by the department. All fees collected by the department are to be deposited into the General Inspection Trust Fund.

To be eligible for a title loan lending license, the applicant must be of good moral character and not have been found guilty of a crime of moral turpitude. A surety bond in the amount of \$100,000, or proof that the applicant has a net worth in excess of \$1 million, must be filed with the department for each license. The applicant must not have been convicted of a felony within the last 10 years or be acting on behalf of an ultimate equitable owner who has been convicted of a felony within the last 10 years. The applicant also must not have been convicted, or not be acting as an ultimate equitable owner for someone who has been convicted, of a crime that the department finds directly relates to the duties and responsibilities of a title loan lender within the past 10 years.

The bill delineates prohibited acts for a title loan lender, or any agent or employer of such title loan lender and provides grounds for suspension and revocation of a license, denial of a license, criminal penalties, and enforcement authority for the department. The department is authorized to conduct examinations and investigations of entities engaging in title loans. Each licensee is responsible for the acts of its employees and agents, if, with the actual knowledge of such acts, it retains profits, benefits, or advantages accruing from such acts or ratifies the conduct of the

employee or agent as a matter of law or fact. The bill requires the Department of Law Enforcement to supply any records in its possession that the department requests concerning any arrest and conviction of an individual applying for or holding a title loan lending license.

The bill creates uniform disclosure requirements for each title loan transaction form. The form must include disclosure regarding the amount financed, the maturity date, the total title loan interest charge (or finance charge), the total amount financed (plus finance charge), and the annual percentage rate, computed in accordance with the Federal Truth-in-Lending Act. The bill provides for a maximum finance charge of 168 percent simple interest under a title loan agreement during the first year it is in effect. The amount of interest charged in any one month may not exceed 22 percent, and a title loan lender may charge no more than 22 percent per month for four months during the first year and no more than 10 percent per month thereafter.

Procedures for the repossession of pledged property are provided, in the event that a pledgor defaults under the title loan agreement or fails to redeem the certificate of title. The bill provides procedures for redeeming property. It requires the person redeeming the property to present the pledgor's copy of the title loan transaction form to the title loan lender, which the lender may retain as evidence of such person's receipt of the property. If the pledgor's copy of the title loan transaction form is lost, stolen, or destroyed, the pledgor is required to notify the lender by certified mail or in person.

The bill appropriates \$700,000 from the General Inspection Trust Fund to the Department of Agriculture and Consumer Services to administer the provisions of this act and to pay the salaries and other administrative expenses for nine positions.

This bill creates yet unnumbered sections of the Florida Statutes. It amends sections 538.03 and 538.16, and repeals subsection (5) of section 538.06 and subsections (4) and (5) of section 538.15, Florida Statutes.

II. Present Situation:

A title loan is a transaction where money is lent with the title to a motor vehicle offered as security. Physical possession of the motor vehicle is maintained by the borrower and the motor vehicle title is held by the lender. Because the motor vehicle is not physically held by the title lender, the transaction is classified as a title loan and not a pawn.

The term "secondhand dealer" refers to pawn brokers, title lenders, jewelers, precious metals dealers, garage sale operators, secondhand stores, and consignment shops. In 1993, the Legislature made it a misdemeanor for a secondhand dealer to accept title or any other form of security without having physical possession of the secondhand goods. In 1995, legislation was passed to allow secondhand dealers to enter into a title loan transaction whereby the secondhand dealer retained possession of only the title to a motor vehicle while the motor vehicle owner maintained possession or control of the motor vehicle. Prior to this change, secondhand dealers could not extend loans to motor vehicle owners without the liability and expense of storing the motor vehicle. Chapter 95-278, L.O.F., also prohibited a secondhand dealer from charging rent or any other fee for the use of the motor vehicle and capped the maximum fee charged in a title loan transaction at 22 percent.

Unlike other secondhand dealers (e.g., pawnbrokers), title loan lenders are not regulated by a state agency. The only state entity having direct interaction with the title loan industry is the Department of Revenue which requires all secondhand dealers to register with the department for tax purposes and to obtain a secondhand dealer's license. Since 1995, the Department of Revenue has registered approximately 750 title loan outlets. In an attempt to address the controversy focused on the high rates or fees that are charged on title loan transactions, the perception that the industry uses unfair and deceptive trade practices, and the lack of auditing and regulations, the Legislature passed into law ch. 96-227, L.O.F., which created the Vehicle Title Loan Task Force. The mission of the task force was to conduct a review of the practices of the title loan industry in order to make recommendations to the Legislature on changes to the current regulations of the industry, based upon a consumer protection perspective. The Task Force was comprised of representatives of the Department of Agriculture and Consumer Services, the Department of Legal Affairs, and the Department of Banking and Finance. In addition, the Governor appointed an industry representative and the Department of Agriculture and Consumer Services designated one of its representatives as the chairperson of the Task Force. As a result of the discussion and testimony generated at the meetings, the Task Force identified and agreed upon the following issues:

1. The industry should be regulated by the state. The suggested regulatory entity was the Department of Agriculture and Consumer Services.
2. Title loans should have a unified statutory scheme, a chapter dedicated to the regulation of the industry.
3. Bonding should be established at \$200,000 net worth or \$100,000 bond, certificate of deposit, or letter of credit.
4. Unified forms should conform to minimum statutory requirements.
5. Documents should be available upon request and be held for a period of two years, following the completion of the transaction.
6. The contract length should not be regulated.
7. The amount charged per month should be defined as interest and the transaction should be considered a loan.
8. Include language that clarifies that a motor vehicle title loan is a lien on that title.
9. Interest should not be capitalized.
10. Prohibit any fee in addition to interest rate, require full disclosure, and set a maximum fine of \$5,000.
11. If a contract is extended, and the borrower pays the service fee in full, then the dealer must accept a principal reduction payment, if offered by the borrower.
12. Require a 10-day holding period for a repossessed vehicle prior to its sale.
13. Excess money collected in the sale of the repossessed vehicle must be returned. Allow reasonable repossession costs, and prohibit further collections from a deficit sale.
14. Wholesaling repossessed vehicles to an affiliated entity should be prohibited.
15. The Legislature should establish fees according to estimated cost of regulation.

On January 23, 1997, the Task Force voted four to three to recommend that the current law relating to vehicle title loans be revised to reflect the former 1993 law, which essentially treated a vehicle title loan as a pawn transaction, requiring the vehicle to remain in the possession of the lender during the period of the loan. Senate Bill 898 implements many of these recommendations, excluding the one to require possession of the vehicle by the lender for the duration of the loan.

Current Law

Prior to engaging in title loan transactions, a secondhand dealer must apply for registration with the Department of Revenue (DOR) under s. 538.09, F.S. A fee equal to the federal and state costs associated with processing fingerprint cards must be submitted to DOR. DOR is authorized to suspend, revoke, or deny registration if DOR determines that an applicant or registrant has violated any provision of chapter 538, F.S.

Once licensed, the premises and records of a dealer are subject to inspection by the police, if the premises are located in a municipality, or the sheriff, if the premises are located outside of the municipality. DOR is authorized to examine the books of a secondhand dealer for the purpose of determining sales tax liability. Pursuant to s. 538.06, F.S., all dealers shall maintain transaction records for five years.

Chapter 538, F.S., authorizes secondhand dealers to enter into title loan transactions whereby a dealer retains possession of only the title to a motor vehicle while the owner maintains possession or control of the vehicle. A title loan is defined under s. 538.03, F.S., as a loan of money secured by bailment of a certificate of title to a motor vehicle. Sections 538.06 and 538.15, F.S., prohibit secondhand dealers from charging rent or any other fee for the use of the motor vehicle, and from engaging in pawn and title loan transactions from the same location. Under s. 538.06(5)(e), F.S., secondhand dealers are permitted to charge a maximum fee of 22 percent per month in a title loan transaction.

By way of comparison, in a pawn transaction whereby the pawnbroker maintains physical possession of the pledged goods for the duration of the pawn, the pawnbroker may contract and receive a pawn service charge. The interest component of a pawn service charge is 2 percent of the amount financed for each 30-day period in a pawn transaction, under s. 539.001(11), F.S. The pawnbroker may charge any amount of pawn service charge, as long as the total amount, inclusive of the interest component, does not exceed 25 percent of the amount financed for each 30-day period in a pawn transaction; except that the pawnbroker is entitled to receive a minimum pawn service charge of \$5 for each 30-day period.

The interest rate or fee charged by title loan dealers varies in Florida and is influenced by numerous factors, such as whether or not an applicant's credit report is required and used as part of the application process, the amount of the loan, and the collateral used. In other states, the maximum amount of interest allowed by law varies. For example, Minnesota and Arizona cap the monthly interest rate at 3 percent and 6 percent (for the first two months and 3 percent for the remainder of the agreement), respectively.

The Federal Consumer Credit Protection Act, commonly referred to as the Truth-in-Lending Act, provides for the definition and determination of a finance charge. The amount of a finance charge in connection with any consumer credit transaction is calculated as the sum of all charges, payable directly or indirectly by the person to whom the credit is extended. Examples of charges which are included in the finance charge are interest, service or carrying charge, and a fee for an investigation or credit report. The Act also specifies the procedure for calculating the annual percentage rate (APR). The APR is the nominal annual rate which will yield a sum equal to the amount of the finance charge when it is applied to the unpaid balances of the amount financed.

Section 538.06, F.S., provides that a secondhand dealer may not sell, barter, exchange, alter, adulterate, or in any way dispose of any secondhand goods within 15 calendar days of the date of acquisition of the goods. This holding period is not applicable when the seller of the goods is known by the secondhand dealer and desires to redeem, repurchase, or recover the goods, provided the secondhand dealer can produce the record of the original transaction with verification that the seller is the person for whom the goods were originally acquired. Upon probable cause that the goods held by a secondhand dealer are stolen, a law enforcement officer with jurisdiction may extend the holding period to a maximum of 60 days.

Section 538.06, F.S., also provides that secondhand dealers have the right to repossess a motor vehicle through a licensed agent, if the title has not been redeemed by the owner or there has been no payment made by the owner on the title loan for a period of 60 days. Secondhand dealers must use licensed motor vehicle dealers to sell repossessed vehicles.

Section 538.16, F.S., provides that personal property pawned with a pawnbroker is subject to sale or disposal if the pawn is a loan of money and the property has not been redeemed or there has been no payment made on the account for 90 days, or if it is a title loan and the property has not been repurchased from the pawnbroker or the title has not been redeemed from the title lender or there has been no payment made on the account within 60 days.

III. Effect of Proposed Changes:

Section 1. Creates an act that may be cited as the “Florida Title Loan Act.”

Section 2. Provides definitions for terms used in the act. “Department” means the Department of Agriculture and Consumer Services. “Loan property” means any personal property certificate of title that is deposited with a title loan lender in the course of the title loan lender’s business and is the subject of a title loan agreement. A “title loan agreement” is defined as a written agreement whereby a title loan lender agrees to make a loan of a specific sum of money to a pledgor, and the pledgor agrees to give the title loan lender a security interest in the unencumbered titled personal property owned by the pledgor. As a condition to the loan, the pledgor agrees to give the lender possession of the certificate of title. A “title loan lender” means any person who engages in the business of making title loans or in title loan agreements with pledgers. “Titled personal property” is defined to mean any personal property that has as evidence of ownership a state-issued certificate of title, except for a mobile home that is the primary residence of the pledgor.

The bill also defines “commercially reasonable,” “executive officer,” “identification,” “licensee,” “title loan office,” “title loan transaction form,” and “ultimate equitable owner.”

Section 3. Provides licensing requirements for a title loan lender. Requires a person to obtain a license from the department before becoming a title loan lender. A separate annual license is required for each physical location of an office. Requires an applicant to submit an application and a nonrefundable license fee in the amount of \$1,500 and a nonrefundable investigation fee of \$250 for an initial application for each office. However, initial license fees paid by a single title loan lender with multiple title loan offices shall not exceed \$15,000. Requires a subsequent annual renewal fee in the amount of \$1,500. However, renewal fees paid by a single title loan lender with multiple title loan offices shall not exceed \$15,000.

Provides criteria for reactivation of an expired license and for a reactivation fee. Requires each license to specify the location for which it is issued and for the license to be conspicuously displayed at that location. Provides criteria for moving a title loan office to another location.

Authorizes the department to deny an initial application for a license if the applicant or any person with power to direct the management or policies of the applicant is the subject of a pending criminal prosecution or a governmental civil enforcement action until the conclusion of such criminal prosecution or enforcement action. Requires a licensee to designate and maintain an agent in this state for service of process.

If there is a change of ownership of 25 percent or greater in a title loan office, an individual is required to apply to the department for a new license, and to pay the nonrefundable license and investigation fees, up to a maximum of \$10,000. All monies collected by the department under this chapter are to be deposited into the General Inspection Trust Fund for the sole purpose of implementing this act.

Section 4. Provides eligibility requirements for a title loan lending license. Requires an applicant to:

- Be of good moral character and not have been found guilty of a crime of moral turpitude;
- File with the department a surety bond or other acceptable collateral in the amount of \$100,000 for each license or provide proof that his or her net worth exceeds \$1 million. However, the aggregate amount of the bond required for a single title loan lender shall not exceed \$1 million;
- Not have been convicted of a felony within the last 10 years or be acting on behalf of an ultimate equitable owner who has been convicted of a felony in the last 10 years; and
- Not have been convicted, and not be acting as an ultimate equitable owner for someone who has been convicted, of a crime that the department finds directly relates to the duties of a title loan lender within the last 10 years.

Prohibits an applicant from being a motor vehicle dealer licensed under ch. 320, F.S., or from being related to a licensed motor vehicle dealer. If an applicant is a corporation or limited liability company, the above requirements apply to each direct or ultimate equitable owner of at least 25 percent of the outstanding equity interest of such corporation and to each director and executive officer.

Section 5. Provides application procedures for obtaining a title loan lending license. Requires the department to investigate the facts concerning a new applicant's proposed activities before approving an application and issuing a license. Requires an applicant to remit nonrefundable license fees, as specified in Section 3 of the bill. Requires the applicant to disclose, if applicable, every member of a partnership or association. In the case of a corporation, the applicant must disclose the name of each officer and director and ultimate equitable owner of at least 25 percent. However, if the applicant is owned directly or beneficially by a person, under certain provisions of the Securities Exchange Act of 1934, the application need not disclose the full name and address of each officer, director, or shareholder. All applicants must disclose the required criminal history information and any other relevant information as provided by rule.

If the department grants a license after the investigation is completed, the licensee must prominently display the license at the front desk or counter at the title loan office. Authorizes a licensee to engage in the business of making loans under this act within a place of business in which other business is solicited or engaged in, unless the department finds that the conduct of such other business results in the evasion of this act or that combining such other business activities results in practices that are detrimental, misleading, or unfair to consumers. However, a license may not be granted to or renewed for any person or organization engaged in the pawnbroking business. Specifies that a license is not transferable or assignable.

Section 6. Provides grounds for the suspension or revocation of a title loan lending license. Grounds for suspension, revocation, or denial of a license include, in part, the following: willful imposition of illegal or excessive charges, false or misleading advertising, fraudulent title loan transactions, failure to maintain the required records for inspection, refusal to permit the department to inspect books and records, being convicted of a crime involving fraud or dishonesty, conspiring with another person to violate this act, and being insolvent. In addition to being able to revoke, suspend, or deny a license for one of these enumerated violations, the department is also authorized to impose other disciplinary actions, such as an administrative fine not exceeding \$5,000 for each violation. Other sanctions include placing a licensee or an applicant on probation, issuing a reprimand, or placing permanent restrictions upon the issuance of a license.

Specifies that a licensee is responsible for the acts of its employees and agents if, with actual knowledge of such acts, it retains profits, benefits, or advantages resulting from such acts or ratifies the conduct of the employee or agent as a matter of law or fact. Provides that the manner of giving notice and conducting a hearing is governed by ch. 120, F.S. Provides that a title loan agreement made by an unlicensed person is voidable.

Section 7. Provides for disclosure and terms for a title loan transaction form. Requires the department to approve the design and format of the form. The form must include:

1. The make, model, and year of the titled personal property.
2. The vehicle identification number.
3. The name, address, date of birth, physical description, and social security number of the pledgor.
4. The date of the transaction.
5. The identification number and the type of identification, including the issuing agency accepted from the pledgor.
6. The amount of money advanced, which shall be designated as the amount financed.
7. The maturity date of the title loan agreement.
8. The total title loan charge payable on the maturity date, designated as the “finance charge.”
9. The total amount (amount financed plus finance charge) which must be paid to redeem the loan property on the maturity date.
10. The annual percentage rate, computed in accordance with the regulations adopted by the Federal Reserve Board pursuant to the Federal Truth-in-Lending Act.

Requires the form to also include the name and address of the title loan office and the name, address, and telephone number of the department upon which consumers may address complaints. The form must also state in type that is not less than 12-point that:

1. Your vehicle has been pledged as security for this loan and if you do not repay this loan in full, including the finance charge, **YOU WILL LOSE YOUR VEHICLE.**
2. You are encouraged to repay this loan at the end of the term. The lender is not required to extend or renew your loan. It is important that you plan your finances so that you can repay this loan as soon as possible.
3. **THIS LOAN HAS A VERY HIGH INTEREST RATE. DO NOT COMPLETE THIS LOAN TRANSACTION IF YOU HAVE THE ABILITY TO BORROW FROM ANOTHER SOURCE AT AN ANNUAL PERCENTAGE RATE LOWER THAN THAT SHOWN ON THIS FORM.**

Requires the form to contain the statement that “The pledgor represents and warrants that the titled personal property to which the loan property relates is not stolen, that it has no liens or encumbrances against it, that the pledgor has the right to enter into this transaction, and that the pledgor will not apply for a duplicate certificate of title while the title loan agreement is in effect.”

Requires the pledgor to allow the title loan lender to keep possession of the certificate of title. Authorizes the pledgor to redeem the certificate of title by repaying the loan in full and by complying with the title loan agreement.

Section 8. Establishes record keeping, reporting, and safekeeping of property requirements for the title loan lender. Requires the lender to produce records at a reasonable and convenient location in Florida within a reasonable period of time after such a request by the department. Requires the lender to maintain records for at least two years after making the final entry on any loan recorded. Authorizes the department to establish the minimum information to be maintained.

Section 9. Establishes maximum title loan charges. In a title loan agreement, a title lender may contract for and receive a finance charge only. The finance charge may not exceed 168 percent simple interest under a title loan agreement during the first year it is in effect. However, the amount of interest charged in any one month may not exceed 22 percent, and a title loan lender may charge no more than 22 percent per month for four months during the first year and no more than 10 percent per month thereafter.

Requires any extension of the original loan to be in writing and to clearly specify the new maturity date, the title loan finance charges paid for the extension, and title loan finance charges owed on the new maturity date, and a copy must be supplied to the pledgor. Prohibits a title loan lender to capitalize any unpaid finance charge as part of the amount financed in a subsequent title loan transaction. In the event that a title loan agreement is not satisfied within one year after its inception, the title loan lender may receive a finance charge on the outstanding principal balance at a rate not to exceed 18 percent per annum for the period of time that the loan remains outstanding beyond one year.

Any finance charge in excess of the amounts authorized under this act are prohibited, and are uncollectible, and render the agreement voidable. Authorizes the lender to collect any fees or

taxes paid to a governmental agency and directly related to a loan transaction. Any such fees or taxes are in addition to the permitted finance charge.

Section 10. Authorizes a title loan lender to take possession of the titled personal property upon a pledgor's default or failure to redeem the pledged property on or before the maturity date of the title loan agreement. Requires the title loan lender who takes possession of the property to comply with the applicable requirement of part V of ch. 679, F.S.

Section 11. Delineates prohibited acts for a title loan lender, or any agent or employer of a title loan lender. Prohibited acts include, in part, the following: falsifying any material matter in a title loan lender transaction form, refusing to allow the department to inspect records, entering into an agreement with a minor or knowingly entering into an agreement with someone under the influence of drugs or alcohol, failing to use reasonable care in safekeeping loan property, failing to return property to a pledgor upon repayment of a loan, selling or charging for insurance in connection with the agreement, engaging in business without a license, charging a prepayment penalty, charging an unauthorized fee, and advertising using the words "interest free loans" or "no finance charges."

Section 12. Specifies that any person presenting identification as the pledgor and presenting the pledgor's copy of the title loan transaction form to the title loan lender is presumed to be entitled to redeem the loan property. However, if the title loan lender determines that the person is not the pledgor, the lender is not required to allow the redemption of the property by such person. Provides procedures for redeeming property. Requires the person redeeming the property to present the pledgor's copy of the title loan transaction form to the title loan lender, which the lender may retain as evidence of such person's receipt of the property. If the pledgor's copy of the title loan transaction form is lost, stolen, or destroyed, the pledgor is required to notify the lender by certified mail or in person.

Section 13. Authorizes the lender to record its security interest in the titled property to which the loan property relates by noting the lien on the certificate of title. The lender becomes a bona fide lienholder whose interest is perfected once he or she enters into a title loan agreement.

Section 14. Provides criminal penalties. Any person who engages in business as a title loan lender without obtaining a license commits a third degree felony. Any person who willfully violates this act or willfully makes a false entry in any record required by the act commits a first degree misdemeanor. Possession of a certificate of title by a title loan lender shall not be considered a bailment of the titled personal property.

Section 15. Requires the Department of Law Enforcement, upon request, to supply to the department any arrest and conviction records in its possession of an individual applying or holding a license under this act.

Section 16. Authorizes the department to issue and serve subpoenas, initiate enforcement actions, impose and collect administrative fines, and to adopt rules to administer and enforce this act.

Section 17. Authorizes the department to conduct examinations and investigations. Such investigations and examinations are limited to one during any 12-month period, unless the

department has good cause to believe that the licensee is not complying with the provisions of the act. Authorizes any person having reason to believe that this act has been violated to file a written complaint with the department.

Section 18. Appropriates \$700,000 from the General Inspection Trust Fund to the Department of Agriculture and Consumer Services, for FY 1999-2000, to administer the provisions of this act and to pay the salaries and other administrative expenses for nine positions.

Section 19. Provides legislative intent stating that title loans shall be regulated by the provisions of this act and that the act supersedes any provisions of law affecting title loans to the extent of any conflict.

Section 20. Amends s. 538.03, F.S., relating to secondhand dealers, to delete references to title loans and title loan transactions since the bill creates a separate act to regulate title loan transactions.

Section 21. Amends s. 538.16, F.S., to redesignate secondhand dealers as pawnbrokers. Eliminates references to title loan transactions since the bill creates a separate act to regulate title loan transactions.

Section 22. Repeals subsection (5) of s. 538.06, F.S., and subsections (4) and (5) of s. 538.15, F.S., relating to prohibited title loan acts and transactions of secondhand dealers since the bill creates a separate act to regulate title loan transactions.

Section 23. Provides that this act shall take effect October 1, 1999, except that this section and section 19 shall take effect July 1, 1999.*

*This bill contains an incorrect reference. It should read, "Provides that this act shall take effect October 1, 1999, except that this section and section 18 shall take effect July 1, 1999."

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

Applicants for a title loan lender license will be required to submit a nonrefundable licensure fee of \$1,500, and a nonrefundable, initial investigation fee of \$250. A licensee will be required to remit \$1,500 fee for an annual renewal.

B. Private Sector Impact:

The intent of this bill is to provide greater protection for consumers. It provides consumers with the right to redeem their property before it can be disposed of and sets the maximum amount of finance charge that a title loan lender may charge the consumer. In a title loan agreement, a title lender may contract for and receive a finance charge only. The finance charge may not exceed 168 percent simple interest under a title loan agreement during the first year it is in effect. However, the amount of interest charged in any one month may not exceed 22 percent, and a title loan lender may charge no more than 22 percent per month for four months during the first year and no more than 10 percent per month thereafter.

C. Government Sector Impact:

Currently, there are approximately 750 title loan lenders registered with the Department of Revenue. Regulating these lenders would cause the Department of Agriculture and Consumer Services to experience an increase in audits, investigations, and cases being processed for legal action. It would also result in additional written complaints and consumer calls to the department’s consumer hotline.

According to Department of Agriculture and Consumer Services, implementation of this act would require the following budget:

Expenditures	Fund	FY 1999-00	FY 2000-01	FY 2001-02
<u>OPERATING COSTS</u>				
Non-Recurring Costs: (capital expenditures, data processing)	GITF	96,052	0	0
Total Non-Recurring Costs:		\$96,052	0	0
Recurring Costs:				
9 FTEs	GITF	382,333	393,803	405,616
Expenses (professional & travel)	GITF	140,499	140,499	140,499
Other (rent & criminal investigation costs)	GITF	82,730	45,287	47,551
AGMIC Expense	GITF	35,000	35,000	35,000
Total Recurring Costs:		\$640,562	\$614,589	\$628,666

Anticipated Recurring Revenues: (Registration & investigation fees)		\$1,155,000	\$990,000	\$990,000
 <u>NON-OPERATION COSTS</u>				
Administrative	GITF	45,598	45,497	45,497
GR Service Charge	GITF	84,315	72,270	72,270
Total Non-Operating Costs:		\$129,913	\$117,767	\$117,767
TOTAL OF ALL COSTS:		\$866,527	\$732,356	\$746,433
TOTAL OF ALL REVENUES:		\$1,155,000	\$990,000	\$990,000

VI. Technical Deficiencies:

The bill needs to be amended to correct a reference in section 23.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Agriculture and Consumer Services:

Prohibits a title loan lender from charging a finance charge that exceeds 96 percent simple interest during the first year of the loan. The finance charge may not exceed 22 percent per month during any month of the first year of the title loan agreement.

#2 by Agriculture and Consumer Services:

Technical amendment that corrects a reference.