The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Committee on Commerce and Tourism

BILL: SB 282

INTRODUCER: Senator Richter

SUBJECT: Consumer Finance Charges

DATE: April 5, 2013 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Burgess	BI	**Favorable**
2.	Siples	Hrdlicka	CM	**Pre-meeting**
3.				
4.				
5.				
6.				

I. Summary:

SB 282 amends ch. 516, F.S., the Florida Consumer Finance Act (act), which governs consumer finance loans. The act defines "consumer finance loan" as a loan of money, credit, goods, or provision of a line of credit, in an amount or to a value of $25,000 or less at an interest rate greater than 18 percent per annum. The allowable interest rates on consumer finance loans are tiered and limited based on the principal amount that falls within each tier of the loan. As the principal amount increases, the allowable interest rate decreases, as follows:

- On the first $2,000 of principal, up to 30 percent allowable interest;
- From $2,001 to $3,000 of principal, up to 24 percent allowable interest; and
- From $3,001 to $25,000 of principal, up to 18 percent allowable interest.

The bill increases by $1,000 the principal amount that would be subject to the maximum amount of interest that is allowed to be charged within each tier. The bill increases from $10 to $15, the maximum amount that can be charged to a borrower for making a payment that is in default for at least 10 days.

This bill substantially amends ss. 516.031 and 516.19, F.S.

II. Present Situation:

The Florida Consumer Finance Act (act)[1] sets forth the maximum interest rates that may be charged on a consumer finance loan,[2] and provides the Office of Financial Regulation within the

[1] Chapter 516, F.S.

Department of Financial Services, with regulatory authority over entities that issue consumer finance loans.[3] The Office of Financial Regulation indicates that currently, there are 262 consumer finance lenders licensed in Florida.[4]

Under the act, interest rates on consumer finance loans are tiered and limited based on the principal amount subject to each tier of the loan.

- On the first $2,000 of the principal amount, the maximum interest rate is 30 percent per annum;
- For principal amounts from $2,001 to $3000, the maximum interest rate is 24 percent per annum; and
- For principal amounts from $3,001 to $25,000, the maximum interest rate of 18 percent per annum.[5]

The principal amounts upon which interest rates are computed were last addressed by the Legislature in 1997.[6]

Additionally, the act allows a lender to charge a delinquency fee of up to $10 for each payment that is in default for at least 10 days. Under the act, both parties must first agree upon the delinquency fee in writing.[7] The delinquency fee was last addressed by the Legislature in 2000.[8]

III. Effect of Proposed Changes:

Section 1 amends s. 516.031, F.S., to increase the maximum allowable interest on a consumer finance loan and the delinquency charge.

Specifically, the bill increases by $1,000 the principal amount that would be subject to the maximum amount of interest that is allowed to be charged for each tier. A lender may charge a maximum interest rate of 30 percent per year on the first $3,000 of principal; 24 percent per year on principal amounts between $3,000 and $4,000; and 18 percent per year on principal amounts between $4,000 and $25,000. The following chart illustrates these changes:

Annual Interest Rate	Current Law	Proposed Changes
30%	Principal up to $2,000	Principal up to $3,000
24%	Principal from $2,001 to $3,000	Principal from $3,001 to $4,000

[2] Section 516.01(2), F.S., defines "consumer finance loan" as a loan of money, credit, goods, or provision of a line of credit, in an amount or to a value of $25,000 or less at an interest rate greater than 18 percent annum.
[3] Pursuant to s. 516.02, F.S., provisions of this act do not apply to persons doing business under state or federal laws governing banks, savings banks, trust companies, building and loan associations, credit unions, or industrial loan and investment companies.
[4] E-mail from H. French Brown, IV, Director of Legislative and Cabinet Affairs, Office of Financial Regulation (Feb. 5, 2013) (on file with the Commerce and Tourism Committee).
[5] Section 516.031(1), F.S.
[6] Section 1, ch. 97-181, L.O.F.
[7] Section 516.031(3)(a)9., F.S.
[8] Section 1, ch. 2000-127, L.O.F.

18%	Principal from $3,001 to $25,000	Principal from $4,001 to $25,000

The bill increases the maximum amount of the delinquency charge a lender may charge from $10 to $15 for each payment that is in default for at least 10 days. The requirement that both parties agree to the delinquency charge, in writing, prior to imposing the charge is retained.

Section 2 amends s. 516.19, F.S., to make a technical change to provide that a person who violates specified provisions of the act "commits" rather than "is guilty of" a first-degree misdemeanor.

Section 3 provides that the bill takes effect July 1, 2013, and applies to consumer finance loans entered into on or after July 1, 2013.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Consumers who borrow could be subject to additional interest charges, depending on the principal of the consumer finance loan. Under the proposed change, consumers who borrow could be subject to an additional 6 percent of annual interest on up to $1,000 on monies borrowed above $2,000 and another 6 percent of annual interest of up to $1,000 on monies borrowed above $3,000.

Borrowers who default on a payment could be subject to an additional $5 in charges for each defaulted payment.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.