LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB3529** by Davis, Yvonne (Relating to the regulation of debt collection agencies and credit bureaus.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3529, As Introduced: an impact of $0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2009
2010	($496,301)	$496,301	8.0
2011	($449,103)	$449,103	8.0
2012	($449,055)	$449,055	8.0
2013	($448,978)	$448,978	8.0
2014	($448,708)	$448,708	8.0

Fiscal Analysis

The bill would require a consumer reporting agency to notify a consumer no later than the 10th day after the date adverse information is added to a consumer's file. The bill would establish terms for disputing the adverse information.

The bill would require the Texas Department of Licensing and Regulation (TDLR) to license and regulate third-party debt collectors. The bill would establish terms of the application for a license, including requirements for surety bonds, and require TDLR to investigate the application's eligibility and enforce rules governing third-party debt collectors.

The bill would take effect September 1, 2009. TDLR would be required to establish rules to implement the provisions of the bill no later than October 1, 2009. License requirements would take effect January 1, 2010.

Methodology

Based on the analysis of TDLR, the agency would license 1,829 third-party debt collectors. Currently, third-party debt collectors are required to file a surety bond with the Secretary of State; there are 1,829 surety bonds on file with the Secretary of State. Applicants would be required to file applications under oath, swear to required financial statements, provide a list of names used by the applicant to perform collection operations, and provide a list of controlling persons of the debt collector entity. TDLR would be required to investigate the third-party debt collector upon application.

Based on analysis of other state's agencies with similar licensing populations and requirements, TDLR anticipates receiving 2,655 complaints per year, of which 278 would result in administrative hearings.

Based on the analysis of TDLR, the agency would require an additional 8.0 FTEs to perform the complex licensing of third-party debt collectors and enforcement: 2.0 administrative assistants for licensing, 1.0 customer representative, 2.0 financial examiners for investigations of applicant eligibility, 1.0 legal assistant for complaints, 1.0 administrative assistant for complaints, .5 attorney to prosecute hearings of contested license denial or revocation cases, and .5 legal assistant to assist the prosecutor. Estimated costs include computer equipment for 8.0 employees, office equipment, rental space, DPS criminal history background check fees, and traveling costs.

The Office of Consumer Credit indicates it could absorb the costs associated with the bill within its current resources.

This analysis assumes that any increased costs to the agency, which is statutorily required to generate sufficient revenue to cover its costs of operation, would be offset by an increase in fee generated revenue.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 452 Department of Licensing and Regulation, 466 Office of Consumer Credit Commissioner

LBB Staff: JOB, JRO, MW, ES