LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 4, 2009

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

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

IN RE: **SB248** by Shapleigh (Relating to the interest and fees that may be charged for certain consumer loans; providing a criminal penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB248, 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 Revenue (Loss) from *General Revenue Fund* 1	Probable Savings from *General Revenue Fund* 1	Change in Number of State Employees from FY 2009
2010	($1,200,000)	$1,200,000	(15.0)
2011	($1,200,000)	$1,200,000	(15.0)
2012	($1,200,000)	$1,200,000	(15.0)
2013	($1,200,000)	$1,200,000	(15.0)
2014	($1,200,000)	$1,200,000	(15.0)

Fiscal Analysis

The bill would amend the Finance Code to limit the amount of interest charged on certain consumer loans to a maximum of 36 percent. Additionally, if the loan contract is prepaid in full, the lender would refund or credit the borrower for unearned interest charges the borrower has already paid. An administrative fee not to exceed $5 can be provided for deferred presentment transactions. A lender may charge a maximum fee of $15 for a returned check.

The bill would take effect September 1, 2009.

Methodology

The analysis is based on information provided by the Office of Consumer Credit Commissioner (OCCC) and includes the following assumptions:

The OCCC licenses approximately 2,600 small loan lenders. Based on information provided by OCCC, it is estimated that limiting the interest rate charged on a consumer loan to a maximum of 36 percent would cause a reduction in the licensee population which would reduce the need for FTE positions. It is assumed that the OCCC would reduce its number of FTEs by 15.0 each year, which would equate to a savings of $1.2 million each year. This includes salary, benefits, travel, operating expenses, and other costs for each FTE. Since the OCCC is a self-leveling agency and is statutorily required to generate revenues sufficient to cover all of the agency's direct and indirect costs, this analysis assumes the estimated savings would be offset by a similar reduction in revenues collected.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department

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