Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 333** DATE: **February 5, 2008**

STATUS: **As Introduced** SPONSOR: **Reps. Batchelder and R. Hagan**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Prohibits a check-cashing business from making a loan to a borrower who has an outstanding loan with any check-cashing licensee, creates a statewide database of loans by check-cashing licensees, modifies the terms for making a loan under the check-cashing loan act, creates a small loan linked deposit program, expands the responsibilities of the Consumer Finance Education Board, and eliminates a certain credit union lending option**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	- 0 -	Potential negligible gain	Potential negligible gain
Expenditures	- 0 -	Increase up to several hundred thousand dollars	Increase up to several hundred thousand dollars
Consumer Finance Fund (Fund 553) – Department of Commerce			
Revenues	- 0 -	Potential loss from license fees	Potential loss from license fees
Expenditures	- 0 -	Potential decrease in administrative costs	Potential decrease in administrative costs
Victims of Crime/Reparations Fund (Fund 402) – Attorney General			
Revenues	- 0 -	Potential negligible gain	Potential negligible gain
Expenditures	- 0 -	- 0 -	- 0 -
Financial Institutions Fund (Fund 4X2) – Department of Commerce			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- ***Potential decrease in licenses*.** If, as a result of the bill's limits on origination fees and interest rates, check-cashers or check-casher lenders opt out of payday lending, license fee revenue to the Consumer Finance Fund (Fund 553) would decrease. While it is uncertain how many check-cashers and check-casher lenders would opt out, the maximum revenue loss would be approximately $1.6 million annually. This figure is based on the revenue generated by the check-casher and check-casher lender license fees in FY 2007. If these licensees were to shift to another licensure category, such as to small loan companies, the potential net revenue loss would be reduced.

- ***Potential administrative cost reductions*.** Also offsetting any revenue loss would be a potential reduction in administrative costs from issuing and renewing fewer licenses. Check-cashers and check-casher lenders make up about 22% of the active consumer finance licenses the Division of Financial Institutions (DFI) oversees. The magnitude of any decrease will depend upon how licensed check-cashers and check-casher lenders respond to the requirements of the bill.

- ***Small loan linked deposit program*.** The creation of the Small Loan Linked Deposit Program would not have any impact on state revenues. However, the proposed linked deposit program creation and requirements may increase the Treasurer of State's expenditures by approximately $325,000 annually. The creation of the new linked deposit program also requires an additional $20,000 one-time cost to set up a new database.

- ***Potential state court cost revenue*.** Since the possibility exists that additional criminal cases are created, there is also the possibility that the state may gain a negligible amount of state court cost revenue to the GRF and the Victims of Crime/Reparations Fund (Fund 402).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties and Municipalities			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- ***Civil justice considerations*.** Current law, unchanged by the bill, provides civil remedies that the Attorney General and the consumer may use to pursue violations committed by check-casher lenders through the Consumer Sales Practices Act (CSPA). While the bill contains new prohibitions and requirements on check-casher lenders, very few payday lenders have been found to violate the law. In view of this and the potential of the bill to significantly decrease check-casher lender licensure activity, it is unlikely that the overall impact of the new prohibitions and requirements on local civil justice costs would be any more than minimal.

- ***Local criminal justice costs*.** In addition to the civil remedies available, current law also imposes a first-degree misdemeanor (M1) criminal penalty for check-casher lender violations. As a result of the new requirements, some additional persons could be prosecuted and sanctioned. This could in turn increase local criminal justice expenditures. It is uncertain how many cases will result from the new requirements and prohibitions created by the bill, but it appears that the number and any associated expenses are likely to be minimal. Overall, local fine and court cost revenue may increase, offsetting some or all of any additional criminal justice costs.

- ***Small loan linked deposit program*.** The linked deposit program would have no direct fiscal effect on local governments.

Detailed Fiscal Analysis

Overview

This bill makes a number of changes to Ohio's lending laws, particularly those for payday loans, small loans, and credit union loans. Specifically, the bill caps interest on check-casher lender loans at 36% per year, requires additional disclosures, creates a statewide database to determine the eligibility of borrowers, and specifies that Internet check-casher lenders making loans to Ohioans must obtain a check-casher lender license.

In addition, the bill creates a new small loan linked deposit program through the Treasurer of State (TOS) that would enable lending institutions to offer small loans to consumers through certificates of deposit placed by TOS at up to 3% below current market rates. The bill also makes changes to small loan interest rates, eliminates origination fees on small loans of less than $800, and prevents credit unions from offering certain short-term loans.

State fiscal effects

Check-casher lender law changes

Interest rate cap. In order to originate what are commonly referred to as "payday loans" in Ohio, a check-casher lender must be licensed by the Superintendent of Financial Institutions. There is a two-tiered system of licensing for check-cashing businesses. A licensed check-casher may cash checks and pay their customers the full amount of the check less any charges permitted by law. In order to make loans, a check-cashing business must obtain a second license. Check-cashers and check-casher lenders pay a $500 license fee upon application for an initial license and a $500 annual renewal fee. Check-cashers and check-casher lenders also pay one-time investigation fees between $150 and $200.

Current law requires the loans be made under a written contract, not to exceed $800, and not have a duration of more than six months. Licensees are permitted to charge a loan origination fee and interest at not more than 5% per month or fraction of a month on the unpaid principal balance of the loan. Licensees may also charge check-collection fees in instances where a check has been dishonored or returned for insufficient funds.

The bill eliminates the authorized collection of origination fees and limits the interest (which would now include fees, service charges, renewal charges, credit insurance premiums, and so on) that may be charged on a payday loan to an annual percentage rate (APR) of 36%. This would translate to a maximum finance charge of approximately $1.38 on a two-week $100 loan.[1] The table below

[1] This is calculated by dividing the APR by the number of 14-day periods in one year to find the APR's 14-day equivalent. So, 0.36/(365/14) = ~ 0.0138, which would equate to an approximate interest rate of 1.38% for 14 days.

illustrates how finance charges are calculated at various loan amounts both under current law and under the bill under a two-week loan model.

Table 1: Payday Loan Finance Charge Crosswalk		
Loan Amount	**Current Law[2]**	**Proposed Changes in H.B. 333**
$500 or less	$5 loan origination fee for every $50 borrowed plus 5% interest per month or partial month	36% Annual Percentage Rate (includes all fees and charges other than check collection charges for bounced checks)
	Example of $100 loan for two weeks: $100 + $10 loan origination fee + $5 in interest = **$115**	**Example** of $100 loan for two weeks: $100 + $1.38 in finance charges = **$101.38**
	Example of $500 loan for two weeks: $500 + $50 loan origination fee + $25 interest = **$575**	**Example** of $500 loan for two weeks: $500 + $6.90 in finance charges = **$506.90**
More than $500 but up to $800	5% interest + $5 loan origination fee for every $50 for the first $500 and $3.75 loan origination fee for every $50 above $500	36% Annual Percentage Rate (no difference from the rate noted above)
	Example of $800 loan for two weeks: $800 + $72.50 ($50 for the first $500 and $22.50 for the last $300) in loan origination fees + $40 in interest = **$912.50**	Example of $800 loan for two weeks: $800 + $11.05 in finance charges = **$811.05**

Much of the fiscal effect of the interest rate cap will depend on how the industry will react under the new guidelines and thus how many licensed check-casher lenders will stay in or enter the industry and continue to pay license fees. That question may be addressed by examining the current operating costs and profits of payday lenders in view of the revised finance charges allowable under this bill, as well as reviewing the experience of other states that have experienced similar rate caps.

<u>Current payday lender costs and profits</u>

There is limited publicly available data in regard to payday lender operating costs and profits. An often-cited source is Flannery and Samolyk's 2005 working paper for the Federal Deposit Insurance Corporation's (FDIC) Center for Financial Research. Their study examined proprietary store-level data from two large payday lending firms to study store costs and profitability.[3] This study included data on a random sample of 600 stores operating in 22 states and found a relatively high average cost of originating payday loans. Specifically, Flannery and Samolyk found that average costs for a store open at least one year to loan $100 were between $11 to $14 depending on the age of the store; these are figures the authors contend are not that out of line with the size of advance fees (the average advance fee in the study ranged from $14.32 to $18.30 depending on store age).

Flannery and Samolyk find the average store's operating margin (the ratio of operating income to store revenue which measures how much revenue is left over after store operating costs are deducted) to be 33.2%. However, this margin does not account for shared administrative and interest expenses allocated by the payday lending firm at the corporate level, which, when accounted for,

[2] Ohio Department of Commerce, Office of Consumer Affairs "Payday Loans" publication.
[3] Flannery, Mark and Katherine Samolyk, "Payday Lending: Do the costs justify the price?" FDIC Center for Financial Research Working Paper 2005-09, June 2005.

reduce true store profitability. The table below summarizes Flannery and Samolyk's findings for stores open at least one year. As the table demonstrates, the study found that older stores are more profitable due to greater loan activity. In sum, the study's authors concluded that fixed operating costs and high loan loss rates account for a large part of the high APR charged on payday advance loans.

Table 2: Payday Lending Industry Profitability

	Young Stores (1-4 years) Avg. Loan Size = $257.72		Mature Stores (>4 years old) Avg. Loan Size = $227.54	
	$ per loan	**$/$100 advanced**	**$ per loan**	**$/$100 advanced**
Avg. Total Store Revenue	$45.94	$17.83	$43.82	$19.26
Avg. Total Store Operating Costs	$36.10	$14.01	$25.10	$11.03
Avg. Store Operating Income	**$9.84**	**$3.82**	**$18.72**	**$8.23**
Avg. G&A and Interest Expenses	$12.84	$4.98	$7.47	$3.28
Avg. Pre-tax Store Income	**($3.00)**	**($1.16)**	**$11.26**	**$4.95**

Source: Flannery and Samolyk

Another source of information concerning the profitability of payday lenders comes from the quarterly Securities and Exchange Commission (SEC) filings of seven publicly traded payday lending companies (some of these companies also engage in pawn business). An August 2006 study in the Fordham Journal of Corporate and Financial Law reviewed these documents (which includes data from nearly 8,000 payday lending stores) and came to a similar conclusion as Flannery and Samolyk: that payday loan firms are not "overly profitable."[4] While average store operating margins were comparable to those reported by Flannery and Samolyk (24.64%), the average profit margin (the percentage of gross revenue that remains after subtracting out all associated costs for the period) was 7.63% when including companies that, while pawn is their primary business, also make payday loans. This study also noted that the average profit margin was less than Starbucks (a little over 9%), a company with a similar business model as firms in the payday lending industry.

Also among the findings was a contention that the industry's average profit margin is attributable to high operating costs, which are driven by longer business hours (leading to higher wage costs) and a large number of stores (leading to high occupancy or rent costs) that are needed to drive loan volume and thus profitability.[5] The high cost of loan losses also contribute heavily to a store's operating costs, further reducing profitability (around 25% of store operating costs in both studies); however, the Fordham study indicated that loan losses for payday lenders are not unusual in comparison to commercial lenders.

Case studies

Recent experience of other states with similar payday lending rate caps may also inform what could happen in this state under similar circumstances. An August 2001 Indiana Supreme Court ruling

[4] Huckstep, Aaron, "Payday Lending: Do Outrageous Prices Necessarily Mean Outrageous Profits?" Fordham Journal of Corporate and Financial Law, October 2006, Volume XII, pages 203-231.
[5] Flannery and Samolyk cite another study indicating a high concentration of storefronts is necessary in the payday lending industry since competition appears to revolve around customer convenience rather than price.

limited payday ban finance charges to 72% APR by applying Indiana's loan-sharking law to payday lenders.[6] After this, the number of entities licensed and the number of branch locations decreased. According to Indiana Department of Financial Institutions (IDFI) annual reports, at the end of CY 2000, Indiana had 119 payday lender companies registered with 463 branch locations. By the end of CY 2003, there were 44 companies registered with 313 branch locations, amounting to a reduction in the number of companies and branch locations of 63.0% and 32.4%, respectively.

An IDFI official noted that most of the larger payday lending companies continued to operate under the 72% rate cap under the industry's expectation that a new law authorizing the practice with sufficient fees would be passed. This occurred in March 2002 through a bill that specifically provided for the existence of payday lending in Indiana after several disputes (including the Indiana Supreme Court case above) about the issue of payday lending in that state. The March 2002 law limited payday loans to $401 and the associated finance charge to $35. This law was updated in July 2004 to revise the allowable finance charges according to a scale that reduced the percentage charged on the loan as the principal amount increased. By the end of CY 2005, the number of companies and branch locations increased to 54 and 547, respectively.

Another more recent example comes from Oregon, which, effective July 1, 2007, changed its payday lending laws to limit origination fees to $10 per $100 advanced (in other words, a 10% origination fee) and interest to 36% APR. The minimum loan term is 31 days. Including the origination fees yields an APR of 153% for a 31-day loan. An LSC review of recent SEC filings by the publicly traded payday lending companies indicated that, in some cases, these firms cited the new law's origination fee and interest caps as reasons for closing some or all of their payday loan outlets in Oregon. For instance, Advance America, the country's largest payday cash advance company, is closing all 45 of its stores in Oregon. QC Holdings has already closed all eight of its stores, and First Cash Financial Services has closed two of its seven stores in the state.

<u>Impact on license fee revenue</u>

Given the recent industry experience in Indiana and Oregon, check-casher lenders licensed in Ohio might choose not to continue business in the state. If so, license fee revenue to the Consumer Finance Fund (Fund 553) from check-casher lenders and check-cashers would decrease. As of February 5, 2008, DFI's license roster listed 1,563 check-casher lender licenses and 1,661 check-casher licenses in Ohio (for a total of 3,224 licenses).[7] Given that over 94% of check-casher licenses also have check-casher lender licenses, revenue from check-casher fees may decrease as well.

While it is uncertain how many check-cashers and check-casher lenders would discontinue operations, the following table provides a rough estimate of the revenue losses to the Consumer Finance Fund (Fund 553) under various scenarios. Within these scenarios, it is assumed that check-casher and check-casher lender licensees give up their licenses in the same proportions, and that the Consumer Finance Fund receives approximately $500 annually from each licensee. Any offsetting gains in revenue from the potential for increased licensure of small loan companies are not factored into the estimates.

[6] Janet Livingston, et al. v. Fast Cash USA, Inc., Case Number 94S00-0010-CQ-609.
[7] Accessed through the Ohio eLicense Center at http://www.com.state.oh.us/dfi/elicense.aspx.

Revenue from license fees from check-cashers and check-casher lenders was approximately $1.6 million in FY 2007.

Table 3: Consumer Finance Fund (Fund 553) Potential Revenue Loss Scenarios		
% of Licensees Ceasing Operations	**Number of Licensees Leaving**	**Estimated Annual Revenue Loss**
25%	806	$403,000
50%	1,612	$806,000
75%	2,418	$1,209,000
90%	2,902	$1,451,000

However, as the growth in the payday lending industry would seem to show, there is a high demand for the short-term, small dollar loan products these businesses provide. If the interest rate caps in the bill make payday lending in its current form an unprofitable venture, Ohio licensees may instead develop alternative, short term loan products in some way to remain profitable while keeping a check-casher/check-casher lender license.

Other industry operators might simply seek licensure under another licensure category, such as Ohio's Small Loan Act, which allows lenders to offer higher principal loan products, including open-ended lines of credit. Small loan licensees also pay license fees into the Consumer Finance Fund (Fund 553). To the degree that an increase in small loan licensure occurs, this might limit potential revenue losses to Fund 553. Small loan companies pay annual license fees of $300.

Potential cost reductions

The Division of Financial Institutions (DFI) in the Department of Commerce oversees the administrative work of approximately 15,000 active consumer finance licenses with check-cashers and check-casher lenders comprising about 22% of that amount. DFI's Consumer Finance program, which currently employs 39 people, also regulates other consumer finance occupations and companies such as mortgage brokers, loan officers, second mortgage companies, and small loan companies. None of these employees work exclusively on check-casher or check-casher lender issues. Rather, DFI assigns these employees by function. So, field examiners perform examinations of mortgage brokers, check-cashers/check-casher lenders, pawnbrokers, and so forth while licensing staff work on all license types.

If a significant number of licensees were to allow their licenses to lapse, payroll, and other costs from the Financial Institutions Fund (Fund 4X2), which pays for a portion of the Consumer Finance program, and the Consumer Finance Fund (Fund 553) may decrease due to a reduction in licenses to oversee. The magnitude of any decrease will depend upon how licensed check-cashers and check-casher lenders respond to the requirements of the bill.

Remote payday lender licensure requirements

Current law includes a general provision requiring a check-cashing business to obtain a license to make loans under the Check-Casher Lender Law. The bill specifies that the licensing requirement applies to any person who lends funds to a borrower in Ohio as part of a check-cashing business or, in whole or in part, makes, offers, brokers or assists a borrower in Ohio to obtain such a loan through any method including, but not limited to mail, telephone, Internet or electronic means. Based on a review of DFI's check-casher lender license roster, there are several out-of-state Internet payday lenders currently licensed in Ohio. In light of the interest rate caps contained in this bill, the net effect may be that Internet payday lenders currently licensed allow their licenses to lapse.

Statewide consumer eligibility database

The bill requires DFI to make available a statewide database accessible to check-cashing businesses to determine a borrower's eligibility for a check-casher lender loan based on a specific set of criteria. The bill permits check-casher lender licensees, upon approval by DFI, to charge a consumer all or part of a fee, which is payable to the database operator (which can be either the Superintendent of Financial Institutions or a third-party) for the actual costs of entering, accessing, and maintaining data in the database. DFI would likely require a third-party to set up and operate the database.

Other states such as Michigan, Indiana, Oklahoma, Illinois and Florida have implemented similar borrower eligibility databases with database fees being between $0.43 and $1.00 per transaction.[8] Assuming Ohio contracts with a vendor such as Veritec (which currently offers statewide eligibility databases to the above states) to provide the database, DFI would incur no "hard" cost for the database since the vendor would be compensated through the transaction fees paid by consumers. Yet, there would likely be some intangible costs related to working with the vendor to set up and maintain the database, resolving any database issues, and so forth.

Small Loan Linked Deposit Program – Treasurer of State

The bill authorizes the Office of the State Treasurer to establish a Small Loan Linked Deposit Program for the purposes of providing small loans to eligible individuals at a reduced interest rate. The bill also indicates lenders' responsibilities.

Under the proposed Small Loan Linked Deposit Program, an eligible lending institution may enter into a deposit agreement with the Treasurer of State. Subsequently, if its small loan linked deposit loan package is approved, the public depository will receive a linked deposit in the form of a certificate of deposit (CD) at up to 3% below current market rates.[9] In return for the reduced interest earnings on the state's certificates of deposit, the eligible lending institution makes small loans to eligible individuals. The bill specifies that the State Treasurer must develop guidelines necessary to implement the new Small Loan Linked Deposit Program.

The Treasurer of State is also required to produce an annual report on the Small Loan Linked Deposit Program to be submitted to the Governor, Speaker of the House of Representatives, and President of the Senate. The report must set forth the linked deposits made by the Treasurer during the year, the number of small loans made by each institution, categorized by postal zip code, and a representation of the number or percentage of loans pursuant to the program that were paid late or are

[8] Florida and Oklahoma receive a portion of the fee to pay for regulatory efforts and consumer credit counseling, respectively.

[9] Current linked deposit programs require the same rates. Hence, the amount of interest earnings that the state would give up on the CDs under the bill, in exchange for savings to the eligible lending institutions that provide small loans at a lower interest rate for the Small Loan Linked Deposit Program participants, would also remain the same.

in default. Essentially, the bill extends current annual report requirements on established linked deposit programs to the Small Loan Linked Deposit Program.

The bill also authorizes the State Treasurer to use state funds to purchase certificates of deposit equaling the total amount of money lent by eligible lending institution to the individuals participating in the Small Loan Linked Deposit Program.

In general, the bill creates a new category of linked deposit program, but does not change the current interest rate requirements on the CDs for linked deposit programs or the current aggregate percentage of state funds that the State Treasurer may invest in all linked deposit programs. Therefore, the creation of the Small Loan Linked Deposit Program would not have any impact on the state's earnings on investments and revenues. However, the Treasurer of State's expenditures would increase by approximately $345,000 annually. According to the Treasurer's Office, its expenditures would increase by $200,000 for salaries and benefits to hire three additional employees for monitoring and reporting of the new linked deposit program, $25,000 in marketing fees, and $100,000 increase in annual banking fees.[10] In addition, there will be a one-time cost of about $20,000 to set up a new database to implement the new program.

Small Loan Act changes

Under current law, no person may make loans of $5,000 or less without being licensed under the Small Loan Act. Various financial institutions and lenders, who are otherwise licensed or authorized to lend money, are exempt from the licensing requirement under the Small Loan Act. As of this writing, there are currently 50 active small loan licensees, 38 of which are Wells Fargo Financial offices.

The bill modifies the terms and conditions of the loans that Small Loan companies may make. Under current law, a small loan licensee may charge up to 28% interest per year on the unpaid principal balances of up to $1,000 and 22% per year on the unpaid principal balances above $1,000. The bill revises these limits by increasing the allowable interest rate to 36% per year but decreasing the principal balance to which it applies to $800. The 22% interest rate would still apply, but now to unpaid principal balances of more than $800. The bill eliminates origination fees on small loans of up to $800. Therefore, whether licensed under the Small Loan Act or Check-Casher Lender Law, a lender would be subject to the same interest rate ceiling and origination fee prohibition on loans of $800 or less.

An annual report compiled by DFI on small loan licensees indicates that these companies collected no revenue from origination fees in CYs 2005 and 2006. The Department of Commerce noted that this is likely due to small loan companies offering open-ended lines of credit or other such credit products where origination fees are not included in how the loans or extensions of credit are written. This indicates that eliminating origination fees on loans of $800 or less would not be a business impediment and would not dramatically affect the number of licensees one way or the other.

Credit union lending option

[10] Assuming 10,000 individuals participate in the new linked deposit program. Costs per person are estimated at $10.

As a result of Sub. H.B. 81 of the 126th General Assembly, which became effective in April 2007, credit unions are empowered to make loans for up to $1,000 for up to 30 days. All interest, fees and other loan costs cannot exceed 10% of the principal amount for this loan product. The bill eliminates the authority of credit unions to make these loans.

The Ohio Credit Union League is unsure of how many credit unions are offering this loan product or how many credit union patrons have secured such a loan in the short time that the law has authorized the product. However, a number of credit unions offer a similar payday advance product called StretchPay, which is a line of credit offering borrowers the ability to take advances of $250 or $500 with annual fees of $35 and $70, respectively, on a 30-day repayment term with finance charges at up to 18% APR. This product does not fall within the small loan product created in Sub. H.B. 81. Overall, it does not appear as if this provision will have a significant fiscal effect on gross asset assessment revenue DFI receives from credit unions.

Consumer Finance Education Board

The bill expands the authority of the Consumer Finance Education Board to include the analysis and investigation of the policies and practices of state agencies, nonprofit entities and businesses inasmuch as those policies and practices address small loan counseling and education for borrowers. The bill also allows the Board to coordinate and provide resources to state agencies, nonprofit entities and businesses to improve small loan counseling and education for borrowers in addition to the other areas that the Board can coordinate and provide resources to under current law. As of this writing, original appointments to the Board have not yet been completed and the Board has not met. However, the expansion of the Board's duties may increase the Board's costs over what they would have been absent the bill's enactment.

Local fiscal effects

Current law, unchanged by the bill, provides civil remedies that the Attorney General and the consumer may use to pursue violations committed by check-casher lenders through the Consumer Sales Practices Act (CSPA). While the bill contains new prohibitions and requirements on check-casher lenders, a review of DFI enforcement actions since August 2006 indicates that very few payday lenders have been found to violate the law. According to the Department of Commerce, most violations are minor and are immediately corrected or are handled through DFI enforcement actions, meaning that the Attorney General's Office is rarely involved in payday lender violations. In view of this and the potential of the bill to significantly decrease check-casher lender licensure, it is unlikely that the overall fiscal impact of the new prohibitions and requirements on local civil justice operations would be any more than minimal.

In addition to the civil remedies available, current law also imposes a first-degree misdemeanor (M1) criminal penalty for such violations, which carries a maximum jail term of 180 days and a maximum fine of $1,000. As a result of the new requirements described above, some persons who may not have been successfully prosecuted and convicted under existing law could be prosecuted and sanctioned. This could in turn increase local criminal justice expenditures. Overall, local fine and court cost revenue may increase, offsetting some or all of any additional criminal justice costs.

If additional criminal cases are created, there is also the possibility that the state may gain a negligible amount of state court cost revenue to the GRF and the Victims of Crime/Reparations Fund (Fund 402). For misdemeanors, the GRF receives $15 per case and the Victims of Crime/Reparations Fund (Fund 402) receives $9 per case.

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