

other states, Ohio may only gain a minimal amount of revenue to the Consumer Finance Fund (Fund 553) from unlicensed Internet payday lenders complying with the bill.

- **Small Emergency Loan Task Force.** The bill creates the Small Emergency Loan Task Force. Task Force members receive no compensation, but would be reimbursed for expenses at cost. Task Force member reimbursement may be in the thousands of dollars, depending on the exact number of meetings, how well each meeting is attended, and how many members would take reimbursement. Any such reimbursements or expenses related to the Task Force would likely be funded through the Consumer Finance Fund (Fund 553).
- **State court cost revenue.** Since the possibility exists that additional criminal cases are created, there may be a negligible gain in 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 Practice Act (CSPA). While the bill contains new prohibitions and requirements on check-casher lenders, very few have been found to violate the law. In view of this, it is unlikely that the overall impact of the new prohibitions and requirements on local civil justice costs would be any more than minimal annually.
- **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 for investigating, prosecuting, adjudicating, and sanctioning offenders. 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. Local fine and court cost revenue may increase, offsetting some or all of any additional criminal justice costs.

Detailed Fiscal Analysis

Overview

This bill makes a number of changes to the check-casher lender laws. Among the major changes, the bill (1) prohibits the lending of funds to a borrower in Ohio as part of an Internet check-cashing loan business (or Internet "payday lenders") or through the mail from an office of any check-cashing loan business not located in Ohio without being licensed by the Division of Financial Institutions (DFI), (2) provides an extended payment plan to borrowers, (3) requires check-cashing lenders to comply with the federal Fair Debt Collection Practices Act when collecting money owed under a loan contract, (4) modifies permissible check collection charges, and (5) includes additional prohibitions on check-casher lenders. The bill also creates the Financial Literacy Education Fund and the Small Emergency Loan Task Force.

Financial Literacy Education Fund

The bill creates the Financial Literacy Education Fund to support various adult financial literacy education programs developed or implemented by the Director of Commerce. At least half of the programs must be presented or made available at public community colleges throughout the state. The bill allocates 5% of all assessments received by the Financial Institutions Fund (Fund 4X2) to this new fund. The Financial Institutions Fund (Fund 4X2) serves as an umbrella administrative fund for the Division of Financial Institutions. Expenses related to centralized services through the Division, such as executive management, facilities management, fiscal operations, IT operations, legal services, human resources, and records management, are paid from this fund.

Fund 4X2's revenue is derived from assessments on the operating funds within the Division, such as the Banks Fund (Fund 544), the Consumer Finance Fund (Fund 553), the Credit Union Fund (Fund 552), and the Savings Institution Fund (Fund 545). Assessments received by Fund 4X2 varied between \$1.76 million and \$2.50 million between FY 2004 and FY 2007, with the average assessment total being \$2.18 million. Therefore, based on historical Fund 4X2 receipts, the Financial Literacy Education Fund could expect to receive between \$88,000 and \$125,000 annually.

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 expressly prohibits a person from lending funds to a borrower in Ohio as part of an Internet check-cashing loan business or through the mail from an office of any check-cashing loan business not located in Ohio unless licensed by DFI.

Based on a review of DFI's check-casher lender license roster, there are out-of-state Internet payday lenders currently licensed in Ohio. An official in Indiana's Department of Financial Institutions reported that Indiana required Internet payday lenders to be licensed beginning July 1, 2007 if they were making loans to Indiana residents, which resulted in a couple Internet lenders becoming licensed after the law change. If Ohio were to have a similar experience, there would be a minimal gain in license

fee revenue to the Consumer Finance Fund (Fund 553). Check-casher lenders pay a \$200 investigation fee and a \$500 license fee upon application for an initial license. The annual renewal fee is \$500.

Small Emergency Loan Task Force

The bill creates the Small Emergency Loan Task Force to study and make recommendations on how small emergency loans can be made available by banks and credit unions to persons with limited resources and poor credit. The Task Force consists of ten members, must meet at least once per month, and must provide a report to the Speaker of the House of Representatives and the President of the Senate within one year after the first meeting of the Task Force, after which the Task Force would permanently dissolve. Task Force members receive no compensation, but would be reimbursed for expenses at cost. Task Force member reimbursement may be in the thousands of dollars, depending on the exact number of meetings, how well each meeting is attended, and how many members would take reimbursement. Any such reimbursements or expenses related to the Task Force would likely be funded through the Consumer Finance Fund (Fund 553).

Civil and criminal 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 Practice 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 check-casher 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 check-casher lender violations. In view of this, it is unlikely that the overall impact of the new prohibitions and requirements on local civil justice costs would be any more than minimal annually.

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, 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 related to investigating, prosecuting, adjudicating, and sanctioning offenders. Accordingly, local fine and court cost revenue may increase, offsetting some or all of any additional criminal justice costs.

If additional criminal cases are created, 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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