

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1757 - SB 1988

February 18, 2014

SUMMARY OF BILL: Enacts the Flexible Credit Act which authorizes registered Tennessee Industrial Loan and Thrift (TILT) companies with net worth of at least \$2,000,000, who have had their principal place of business in Tennessee for at least three years, and who provide audited financial statements and notice of intent to make loans authorized under this Act to the Commissioner of the Department of Financial Institutions, to make loans under an open-end credit plan, which are subject to prepayment at any time at a periodic interest rate not to exceed 24 percent per annum. Authorizes such lenders to charge borrowers fees and charges, in addition to interest, as agreed upon between the lender and the borrower. Requires such lenders to submit to the Commissioner, by July 31 of each year, an audited financial statement for the purpose of determining the general results of operations under this Act.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- The Department of Financial Institutions will ensure compliance with the provisions of this bill during regular examinations of TILT companies.
- Any regulatory or fiscal impact on the Department will be not significant and can be accommodated within existing resources.

IMPACT TO COMMERCE:

Other Impact – Authorizing qualified TILT companies to issue open-end loans and charge fees and charges as agreed upon between the companies and borrowers may result in an increase in revenue for such companies, as certain restrictions currently in place for open-end loans will be not be applicable. However, any such increase is dependent upon the terms of individual contracts between lenders and borrowers and cannot be quantified with reasonable certainty. Any impact on private sector jobs in Tennessee is estimated to be not significant.

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Assumptions:

- The proposed legislation would authorize qualified TILT companies to issue loans under an open-end credit plan, as established under this Act, and would remove certain restrictions on the type and amount of fees that they can charge. Further, the maximum effective annual rate of interest under current law is 24 percent; this bill would establish a maximum periodic interest rate of 24 percent per annum, which could result in additional interest revenue for the lenders.
- Any increase in revenue for qualified TILT companies that issue open-end loans as authorized under this Act will be dependent upon terms of individual contracts between lenders and borrowers and cannot be quantified with reasonable certainty.
- Any increase in expenditures for qualified TILT companies to provide the required financial statements to the Department is estimated to be not significant.
- Any impact on private sector jobs in Tennessee is estimated to be significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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