Senate Fiscal Agency
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SFA BILL ANALYSIS

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Senate Bill 503 (Substitute S-7 as reported by the Committee of the Whole)
Sponsor: Senator Valde Garcia
Committee: Banking and Financial Institutions

CONTENT

The bill would create the "Deferred Presentment Services Act" to do the following:

-- Require a person to provide a written notice to the Commissioner of the Office of Financial and Insurance Services (OFIS) before beginning operation as a deferred presentment service provider.
-- Require a deferred presentment service provider to furnish a $50,000 surety bond and pay an annual business operating fee as established by the Commissioner in an amount to pay the OFIS's costs of administering the new Act.
-- Require a deferred presentment service transaction to be documented by a written agreement.
-- Limit the fees that a deferred presentment service provider could charge.
-- Prohibit new transactions if the issuer of a check had any outstanding transactions.
-- Prohibit the renewal of a transaction, but allow an extension of a transaction under certain conditions.
-- Require providers to post certain notices.
-- Establish payment requirements.
-- Establish civil infraction penalties for transactions conducted in violation of the bill.

The bill would take effect January 1, 2002.

The term "deferred presentment service" would mean a transaction between a provider and a customer under which the provider agreed to pay the customer an agreed-upon amount in exchange for a fee, and agreed to hold the check for a period of time before negotiation or presentment.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill would have an indeterminate fiscal impact. Enforcement costs and fine revenue would depend on the number of violations.

The bill would create a new regulatory program in the Office of Financial and Insurance Services. The additional responsibilities associated with this change would be offset by the additional revenue collected through the newly created fees.

Date Completed: 10-23-01

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