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BILL ANALYSIS

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Senate Bill 474 (Substitute S-4 as reported)
Sponsor: Senator Valde Garcia
Committee: Economic Development, Small Business and Regulatory Reform

CONTENT

The bill would create the "Deferred Presentment Services Act", effective July 1, 2004, to do the following:

-- Prohibit a person from engaging in the business of providing deferred presentment services without obtaining a license from the Commissioner of the Office of Financial and Insurance Services (OFIS) for each location from which business would be conducted.
-- Require licensees to pay annual licensee fees, and require the Commissioner to establish a schedule of license fees sufficient to cover OFIS's administrative costs.
-- Require licensees to maintain a net worth of $50,000 per location, and post a $50,000 surety bond for a license.
-- Require licensees to document a deferred presentment service transaction by entering into a deferred presentment services agreement with the customer.
-- Limit a deferred presentment services agreement to a maximum of $1,000.
-- Allow licensees to charge a service fee of up to 18% of the amount paid to a customer.
-- Provide that a licensee could not enter into a transaction with a customer who already had a deferred presentment services agreement in effect with any licensee.
-- Require a licensee to display certain notices, and to include other notices in a deferred presentment services agreement.
-- Allow a customer to complain to a licensee of a violation and/or file a complaint with the Commissioner, and require the Commissioner to investigate a customer's complaint.
-- Authorize the Commissioner to issue a cease and desist order, suspend or revoke a license, and impose civil fines.

"Deferred presentment service" would mean a transaction between a licensee and a customer under which the licensee agreed to pay to the customer an agreed-upon amount in exchange for a fee, and to hold one or more of the customer's checks for a period of time before negotiation, redemption, or presentment of the checks. That time period could not exceed 31 days.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would require these licensed businesses to pay a fee that would be sufficient to cover the administrative costs of regulating this industry, which would make the addition of this industry under the regulated category revenue neutral. The bill also would create civil fines that could be assessed for noncompliance, which would be deposited into the General Fund. Without knowing how many civil fines would be assessed and at what levels, it is difficult to determine the revenue that would be generated from this bill.

Date Completed: 6-10-03 Fiscal Analyst: Maria Tyszkiewicz