

February 1, 2017

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 87 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 87 is respectfully submitted to your committee.

SB 87 amends the Credit Services Organization (CSO) Act that governs entities that provide debt management services to Kansas consumers. The bill clarifies the duties of a CSO to require that an initial budget plan prepared for the consumer reflect all outstanding debt obligations from the consumer's credit report or identified by the consumer. The bill includes notification and advertising requirements for CSO's. The CSO's legal name and license number are required to be included on all advertisements. The bill would increase the time allowed for the CSO to disburse consumer funds to creditors by ten days, from ten days to 20 days. However, the change would prohibit a payment from being held for any period of time that results in an additional charge, fee, or penalty, to the consumer.

The bill makes the following adjustments to the fee structure that CSO's charge consumers to provide their services:

1. Increases the monthly maintenance fee cap from \$20 to \$40 per month, or \$5 per creditor, whichever is less;
2. Allows the collection of a reasonable fee from a consumer for providing reverse mortgage counseling, bankruptcy counseling, student loan counseling, or other counseling services authorized by the Bank Commissioner;
3. Allows a one-time charge of up to \$30 for an insufficient payment;
4. Permits a CSO to charge a consumer up to \$5 to process an electronic payment, but the consumer must authorize the payment;

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5. Prohibits a charge for a payment if the consumer makes all payments through electronic means; and
6. Allows a CSO to waive any fees that are permitted by statute if it determined that the consumer is unable to pay the fees.

The bill would remove the \$100 annual licensing fee for CSO's and would allow the Bank Commissioner to set the annual licensing fee through the adoption of rules and regulations. The bill amends that annual report due date and annual license renewal period from March 1 to April 1 of each year. The bill indicates that the information contained in the annual reports submitted by each CSO licensee will remain confidential; however, composite information would be allowed to be published until this provision sunsets on July 1, 2022. The bill requires examination reports and related correspondence remain confidential and also includes a sunset provision of July 1, 2022.

The bill imposes enhanced penalties for a violation against an elder or disabled person of an additional penalty of \$10,000 per violation that are in addition to any other penalty provided by law. The bill requires restitution for any loss from any violation against an elder or disabled person. Finally, the bill includes several amendments that are technical in nature, or are necessary for clarification to the Credit Services Organization Act.

The Office of the State Bank Commissioner indicates that SB 87 would have no fiscal effect on its operations. The Office of the Bank Commissioner indicates that removing the specific \$100 annual licensing fee for CSO's and allowing the fees to be set by rules and regulation would allow greater flexibility for the agency and would allow the fees to be set below the \$100 level.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Judi Stork, Banking