

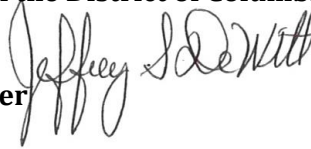
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: January 10, 2019

SUBJECT: Fiscal Impact Statement –Financial Services Consumer Protection Act of 2019

REFERENCE: Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019

Conclusion

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

Background

The bill expands or creates new requirements for three industries: currency exchange stores, consumer product financing companies, and collection agencies.

First, the bill proposes restrictions and requirements for retail currency exchange establishments. These establishments must register with the National Multistate Licensing System and Registry (NMLS) and obtain a license from the Department of Insurance, Securities, and Banking (DISB). The licensee must pay any applicable fees, appropriately capitalize the business,¹ and provide detailed data on the soundness of the ownership's business experience. The bill also outlines the guidelines for DISB examination, reporting, and enforcement activities and the licensee's record-keeping requirements.

The bill does not apply to the currency exchange activities of a bank, trust company, foreign bank agency, credit union, savings bank, savings and loan association, department of the United States government, or the United States Postal Service.

¹ The business must maintain at least \$50,000 in available funds.

Next, the bill proposes restrictions and requirements on retailers that allow for installment payments and companies that purchase retail installment contracts. These companies must also register with NMLS and obtain a license from DISB. The bill establishes guidelines for the disclosures, content, and delivery requirements of retail installment contracts,² including provisions that are prohibited from inclusion in such contracts. The bill also adopts by reference a number of the provisions of the federal Truth in Lending Act.³

The bill's provisions on lending do not apply to banks, trust companies, credit union, savings and loan associations or building and loan associations. The bill also does not apply to transactions over \$25,000, purchases requiring the consumer to pay in-full within 90 days, and purchases where the seller retains no security interest in the good.

The last group that the bill subjects to NMLS registration and DISB licensing requirements includes collection agencies and third-party loan servicers. These provisions do not cover banks, credit unions, mortgage lenders, court-ordered actions, real estate brokers collecting rent payments, savings and loan associations, title companies, trust companies, student loan servicers, lawyers,⁴ regular employees of creditors, or employees of a licensed collection agency.

The bill also requires certain companies to file a bond issued by a surety company with DISB at the time the company submits a license application in an amount determined by DISB by rule. The surety bond requirement applies to consumer retailers that offer installment contracts, companies that purchase such contracts, collection agencies, and third-party loan servicers.

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill requires currency exchange stores, consumer product sellers, retail financiers, collection agencies, and third-party loan servicers to register with NMLS and obtain a license with DISB. The Office of Revenue Analysis and DISB are unable to determine the full population of affected businesses,⁵ but the new licensing requirements will result in new revenues for the District's General Fund once DISB establishes the license fee structure. We estimate a minimal impact on existing general business license fees from current businesses that choose not to remain in the District due to the new law.

DISB can absorb the costs associated with licensing these new businesses and will rely on third party information and evaluations when available. This includes relying on NMLS for official background check information on many of the businesses and their owners.

² These are contracts between a buyer and seller that evidence a transaction where the purchase price is paid in one or more deferred installments.

³ Sections 106, 107, 121, 122, 124, 127, 128, and 141-145 (Pub. L. 90-321, Stat. 146, 15 U.S.C. § 1601 et seq.).

⁴ So long as debt collection is not the lawyer's primary business

⁵ NMLS has approximately 81 retail seller and consumer finance companies registered for the District. A public search indicates there could be a dozen or so currency exchange stores, and DISB estimates there could be hundreds of collection-agency related services operating in the District.