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## Compliance Newsletter

### NEW ITEMS:

#### Alabama:

##### **State Banking Department – Changes to Credit Insurance Regulations.**

The Alabama State Banking Department has proposed changes to regulation 155-2-2-.12. The Department is proposing to permit joint accident and health insurance at a rate factor of 1.85 and joint involuntary unemployment insurance at a rate factor of 1.75. The Department is also proposing a pro rata refund policy, as well as other listed requirements for disclosures to the prospective insured. Comments are due March 15, 2018.

**Effective Date:** Proposed Regulatory Update.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Would permit the sale of Joint A&H and Joint IUI.

**Consumer Contract Impact:** Consumer contract updates likely necessary if accounts are to write these additional coverages.

**Rate Impact:** Additional rates anticipated.

#### Florida:

##### **HB 555 & SB 642 – Deferred Presentment Transactions.**

Would modify the Florida code to effectively create an “all-in APR” of 36% (HB 747) and 30% (SB 640).

**Effective Date:** Proposed legislation – July 1, 2018.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” may inhibit the sale of credit insurance.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### Georgia:

##### **HB 938 – Business Entity Licensing.**

Amends sections of the Georgia code to relating to limited licenses, providing for a limited credit insurance agency license, which would discontinue the practice of obtaining individual licenses for employees.

**Effective Date:** Proposed legislation. **Passed by the House.**

**Licensing Impact:** Impacts credit insurance licensing requirements.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

##### **HB 902 – Georgia Small Consumer Finance Loan Act.**

Amends sections of the Georgia code, transferring duties, powers, responsibilities, and other authority relative to industrial loans from the Industrial Loan Commissioner to the Department of Banking and Finance.

**Effective Date:** Proposed legislation.

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**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### **Hawaii:**

##### **SB 3008 – Payday Lending; Small Dollar Loans; Small Dollar Lenders; Licensure; Requirements**

Amends sections of the Hawaii code and would repeal provisions authorizing deferred deposit loans in the state and create a new chapter of law on small dollar installment loans. “Small dollar loan” would mean a loan of up to \$1,000 made to a consumer by the small dollar lender, for a fee, finance charge, or other consideration.

**Effective Date:** Proposed legislation – January 1, 2019.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### **Indiana:**

##### **HB 1397 – Financial institutions and consumer credit.**

Amends sections of the Indiana Code, with respect to consumer loans, to permit debt cancellation agreements as an additional charge, subject to certain parameters.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Would permit charges for debt cancellation agreements.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### **Iowa:**

##### **SB 3176 – Act requiring the licensure of unsecured consumer loan lenders, and making civil penalties applicable.**

Amends sections of the Iowa code to create a new code chapter 536B, to require licensure of persons who wish to provide unsecured consumer loans to residents of the state. The bill would define “unsecured consumer loan” to mean a loan that is incurred for a personal, family, or household purpose, is not less than \$500 and not more than \$1,500, is unsecured, the lender holding the consumer’s check for a specified period prior to deposit or presentment or obtains written authorization to debit the consumer’s account for a specified period prior to debiting the consumer’s account, is payable in specified payment installments, is subject to prepayment in whole or in part at any time without penalty, and is for a term length of a maximum of 12 months.

**Effective Date:** Proposed legislation.

**Licensing Impact:** Potential licensing impact for those accounts falling within this bill’s parameters.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### **Maryland:**

##### **HB 1634 – Consumer Financial Protection Act of 2018.**

Amends sections of the Maryland code, prohibiting persons from making covered loans, as defined, in the state if that person is not licensed in the state; or the person directly or indirectly contracts for, charges, or receives a rate of interest, charge, discount, or other consideration that is greater than the amount authorized under state law; or if the person makes a covered loan that would violate the Military Lending Act. Loans made in violation of these prohibitions would be deemed void and unenforceable, with limited exceptions as enumerated in the bill.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

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**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**South Carolina:**

**HB 3337 – Amending Filing and Recording Fees.**

Would amend the South Carolina code with respect to certain filing and recording fees that may be charged.

**Effective Date:** Proposed legislation – Upon Approval by the Governor.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products, except with respect to rates.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** Would increase the non-file insurance rate to 75% of \$25.00.

**PREVIOUSLY REPORTED:**

**District of Columbia:**

**B22-0432 – Financial Services Consumer Protection Act of 2017.**

Would require a seller of a retail installment sales contract also offering open-end credit to disclose whether the seller was benefiting financial from the buyer purchasing credit life, credit accident and health, credit property, or other credit insurance protecting the seller from the buyer's default of other loss.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Florida:**

**HB 747 & SB 640 – Access to Responsible Credit Pilot Program in the Office of Financial Regulation**

Establishes Access to Responsible Credit Pilot Program; specifies requirements for licenses, referral partners, and borrowers relating to consumer loans; requires examinations and reports; provides for disciplinary action; and provides for future repeal of program. Would effectively create a tiered "all-in APR" for unsecured loans of \$300 to \$10,000. Does not contain a provision to allow for the sale of credit insurance or debt cancellation or other ancillary products.

**Effective Date:** Proposed legislation – July 1, 2018.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Impact to credit insurance products uncertain. Proposed "all-in APR" may inhibit the sale of credit insurance.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Georgia:**

**HB 523 – Act to amend Chapter 3 of Title 7 of the Official Code of Georgia Annotated, relating to Industrial Loans.**

Amends sections of the Georgia code to prohibit the issuance of a license to issue industrial loans within a certain distance from a military base or installation; to require certain disclosures related to insurance premiums on industrial loans in certain instances; to prohibit persons engaged in the business of making industrial loans from issuing payment instruments which create a loan contract upon redemption, unless a previous contract has been entered into between the two parties; and for other purposes.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products.

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**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Indiana:**

**SB 325 – Small Loan Finance Charges.**

Changes the current incremental finance charge limits that apply to a small loan to a maximum annual rate of 36%.

This bill effectively creates an “all-in APR.”

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” may inhibit the sale of credit insurance.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Kansas:**

**HB 2267 & SB 234 – Open-End Consumer Loan All-In APR 36%.**

Amends Kansas code section 16a-2-401 to impose a 36% “all-in APR” to open-end loans. This bill allows for the sale of credit insurance, and credit insurance is to be calculated in the rate cap. This subsection does not apply to a consumer loan secured by a first mortgage or a second mortgage.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” cap may inhibit the sale of credit insurance in conjunction with these loans.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Maine:**

**LD 1164 – An Act to Facilitate Small Loans in Maine.**

Amends the Maine Consumer Credit Code and enacts requirements for loans of \$2,000 or less. Authorizes consumer loan lenders and open-end credit creditors to charge origination fees and monthly maintenance fees, but does not permit insurance charges.

**Effective Date:** Proposed legislation.

**Licensing Impact:** Credit insurance not permitted to be sold.

**Product/Program Impact:** Credit insurance not permitted to be sold.

**Consumer Contract Impact:** Credit insurance not permitted to be sold.

**Rate Impact:** Credit insurance not permitted to be sold.

**Missouri:**

**HB 1547, HB 1932 & SB 738 – Consumer Credit Interest Rates.**

Would change the Missouri code regarding consumer credit interest rates, reducing the annual percentage rate for payday, title, installment, and other consumer credit and small loans to 36% per year. These bills effectively create an “all-in APR.”

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” may inhibit the sale of credit insurance.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

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## Nebraska:

### **LB 286 – Flexible Loan Act.**

Creates licensing regime for open and closed end flex loans which do not allow for sale of credit insurance. Loans are not for more than \$2500.00 and are unsecured.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No impact to credit insurance products sold by accounts governed by other laws and/or state agencies. Credit insurance would not be permitted to be sold by those governed by this act.

**Consumer Contract Impact:** No changes necessary.

**Rate Impact:** No changes anticipated.

### **LB 194 – Bill changing provisions of the Credit Services Organization Act, Delayed Deposit Services Licensing Act, and Nebraska Installment Loan Act.**

Would require Delayed Deposit Services licensee to charge no more than 36% annual APR and would not allow for the collection of ancillary product fees.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, credit insurance would not be permitted to be sold in conjunction with these loans.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

## New York:

### **SB 5771 & AB 6511 – Credit Creation Pilot Program Act of New York.**

Would create a five-year pilot program called the “Credit Creation Pilot Program Act of New York.” The pilot program is for loans in the amount of \$300-\$5,000 and contains strong consumer protections, which in many cases exceed those under existing law. The pilot program sets limits on fees and interest rates for small loans, and credit insurance and other ancillary products are not permitted to be sold in conjunction with such loans.

**Licensing Impact:** Pilot program contains own licensing structure.

**Product/Program Impact:** Credit insurance not permitted to be sold.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

## Ohio:

### **HB 123 – Modify Short-Term Loan Act.**

Amends the Short-Term Loan Act to specify a minimum duration requirement for loans made under the Small Loan Law and Mortgage Loan Law, and to limit the authority of credit services organizations to broker extensions of credit for buyers.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

## South Carolina:

### **SB 863 – Amending Licensing Requirements.**

Would amend the South Carolina code, clarifying that licensees who have furnished fingerprints to the director need not again furnish fingerprints upon renewal.

**Effective Date:** Proposed legislation – Upon Approval by the Governor.

**Licensing Impact:** Fingerprints not necessary upon renewal licensing.

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**Product/Program Impact:** No anticipated impact to credit insurance products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

## **Federal:**

### **Consumer Financial Protection Bureau (CFPB) – Small Dollar Rule**

On October 5, 2017, the CFPB published its final rule that will set new rules and restrictions on payday loans, auto title loans, deposit advance products, and certain installment and open-end loans. The rule will cover any short-term loans with a term of 45 days or less and certain long-term loans with terms of more than 45 days. The proposed rule will only cover long-term loans that (1) have a greater than 36% “all-in APR” (2) where the lender either (a) secures the loan by holding a vehicle as collateral or (b) collects payment using a form of “leveraged payment mechanism” that gives lenders the right to initiate transfers from a consumer’s account or to obtain payment through payroll deduction or other direct access to the consumer’s paycheck. The rule excludes from coverage purchase-money credit secured solely by the vehicle or other consumer goods purchased, real property or dwelling-secured credit if the lien is recorded or perfected, credit cards, student loans, non-recourse pawn loans, overdraft services and overdraft lines of credit and credit sales contracts. The rule requires that lenders perform a “full payments test”, which requires a lender to determine affordability and requirements for justifying additional loans. Among other things, lenders dealing in covered loans will also be required to use credit reporting systems to report and obtain information about covered loans and consumers.

**Effective Date:** The CFPB released its final small-dollar loan rule on October 5, 2017. The rule takes effect 21 months after it is published in the Federal Register, although the provisions that allow for registration of information systems take effect earlier.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No substantive impact anticipated to credit insurance products themselves.

**Consumer Contract Impact:** No impact to insurance contracts anticipated.

### **S. 1659 – To amend the Truth in Lending Act to establish a national usury rate for consumer credit transactions.**

Would amend Chapter 2 of the Truth in Lending Act to set a 36% all-in APR, among other things.

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, may impact accounts’ decisions to offer credit insurance.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

## **NO LONGER MONITORING:**

### **California:**

**AB 1109 – Consumer Loans. Not a carryover bill from first year of legislative session, so it is dead.**

Would authorize payments for credit insurance to be used to calculate whether a loan exceeds the bona fide principal amount under provisions of the California Finance Lenders Law that include a regulatory ceiling provision. State and national banks, credit unions, credit card issuers and insurance companies are exempt. This bill effectively creates an “all-in APR.”

**Effective Date:** Proposed legislation.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” may inhibit the sale of credit insurance.

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**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**Colorado:**

**Administrator Opinion, August 7, 2017 – Debt Cancellation and Suspension Agreements Offered by Colorado-Chartered Banks, Colorado-Chartered Industrial Banks, and Colorado-Chartered Credit Unions**

The Administrator Opinion rescinds the November 9, 2004 opinion that affirmed that debt protection may be sold by state chartered banks, credit unions and industrial banks without including its fees in the finance charge. This opinion indicates that such debt protection fees must be included in the finance charge.

**Effective Date:** 120 days from August 7, 2017

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to debt cancellation products. However, may impact accounts' decisions to offer debt cancellation.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**North Carolina:**

**North Carolina's adjustment of prima facie rates for Credit Involuntary Unemployment Insurance**

On November 13, 2017, the North Carolina Department of Insurance promulgated new prima facie rates applicable to all credit involuntary unemployment insurance premiums collected beginning February 1, 2018. The Department noted that it is the Department's intent to continue to reduce maximum rates over time until the market adjusts to rates that are more reasonable in relation to the benefit provided.

**Effective Date:** February 1, 2018

**Licensing Impact:** No changes necessary.

**Product/Program Impact:** Credit Involuntary Unemployment Insurance

**Consumer Contract Impact:** No changes necessary.

**Rate Impact:** Rate impact to open-end monthly outstanding balance programs. A Bulletin with revised rate pages will be provided to affected accounts and programming will be required.

**Reminder:** License appointment renewals for agents are automatically processed each year unless we hear otherwise from you. To avoid paying for terminated or inactive employees, please send your changes to [licensing@fortegra.com](mailto:licensing@fortegra.com) or contact Lynnette Rackley at 800-888-2738 then 8 x7267. The upcoming termination cut-off dates are as follows: NM – 2/20/2018; ND – 2/24/2018; D.C. – 3/02/2018; MS – 3/15/2018; NJ – 3/15/2018; SD – 3/31/2018; NE – 4/14/2018; CT – 4/15/2018; MD Motor Club – 5/1/2018; AR – 5/25/2018; VT – 5/26/2018; WV – 5/31/2018.

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