
Compliance Newsletter

NEW ITEMS:

California:

AB 237 – Pilot Program for Increased Access to Responsible Small Dollar Loans.

Amends California's current small dollar pilot program to raise to \$10,000 the loan amount permitted under the program. Limits certain APRs depending upon the amount loaned as well as months of payment. This bill does not permit the sale of credit insurance.

Effective Date: Proposed legislation.

Licensing Impact: No changes anticipated.

Product/Program Impact: Does not permit the sale of credit insurance.

Consumer Contract Impact: No changes anticipated.

Rate Impact: No changes anticipated.

Texas:

Texas Credit Union Department – Preliminary draft rule related to debt cancellation and debt suspension agreement.

The Texas Credit Union Department has issued a preliminary draft rule relating to debt cancellation and debt suspension agreements. The draft rule is similar to the rule adopted by the Texas Finance Commission. The draft rule would require short and long-term disclosures and would require credit unions that offer single pay GAP without refund to also offer a monthly pay with a refund. The draft rule has not yet been published in the state register for comment.

Effective Date: Proposed regulation.

Licensing Impact: No changes anticipated.

Product/Program Impact: No anticipated impact to debt cancellation products.

Consumer Contract Impact: No changes anticipated.

Rate Impact: No changes anticipated.

PREVIOUSLY REPORTED:

California:

AB 2953 – Consumer Loans – Title Loans.

Amends the California code to require a 36% rate cap for title loans. This bill would not include credit insurance premiums in the APR.

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.

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AB 2500 – Consumer Loan – Charges.

Amends the California code to raise to \$10,000 the loan amount permitted for the California finance lenders. Limits certain APRs depending upon the amount loaned as well as months of payment. This bill creates an “all-in APR.”

Effective Date: Proposed legislation.

Licensing Impact: No changes anticipated.

Product/Program Impact: No anticipated impact to credit insurance products themselves. However, the all-in APR may likely inhibit the sale of credit insurance.

Consumer Contract Impact: No changes anticipated.

Rate Impact: No changes anticipated.

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.

New York:**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.

SB 8340 – New York limited state charter for internet lending service law.

Provides for the chartering and regulation of internet lending services providers. Allows for the sale of credit insurance.

Effective Date: Proposed legislation.

Licensing Impact: No changes anticipated.

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.**

Approved by House.

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.

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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.

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

Consumer Contract Impact: No changes anticipated.

Rate Impact: No changes anticipated.

HB 3337 – Amending Filing and Recording Fees. **Approved by House.**

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.

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.

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NO LONGER MONITORING:

Alabama:

State Banking Department – Changes to Credit Insurance Regulations.

The Alabama State Banking Department made changes to regulation 155-2-2-.12. The Department now permits joint accident and health insurance to be sold at a rate factor of 1.85 and joint involuntary unemployment insurance to be sold at a rate factor of 1.75.

Effective Date: June 1, 2018

Licensing Impact: No changes anticipated.

Product/Program Impact: Permits the sale of Joint A&H and Joint IUI.

Consumer Contract Impact: Consumer contract updates necessary for accounts wanting to write these additional coverages.

Rate Impact: Program rates and forms are being filed for approval and use by Alabama accounts.

Louisiana:

HB 501 & SB 365 – Louisiana Installment Loan Act.

Died due to end of legislative session.

Would provide for an Installment Loan Act where the term of the loan can be no less than 6 months and no more than 12 months, the amount of the loan can be no less than \$500.00 and no more than \$1500.00, and with a maximum annual APR of 45% plus monthly service charge not to exceed 7.5%. This bill would impose re-payment rules and monthly payment not to exceed 20% of gross monthly income. This proposed law directs OFI to promulgate any rules and regulations necessary. The sale of credit insurance is not referenced in this bill.

Effective Date: Proposed - January 1, 2019

Licensing Impact: No changes anticipated.

Product/Program Impact: Credit insurance products not expressly permitted.

Consumer Contract Impact: No changes anticipated.

Rate Impact: No changes anticipated.

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 or contact Lynnette Rackley at 800-888-2738 then 8 x7267. The upcoming termination cut-off dates are as follows: MD Motor Club – 5/1/2018; AR – 5/25/2018; VT – 5/26/2018; WV – 5/31/2018; OH – 6/15/2018; VA – 6/15/2018; SC – 8/27/2018; WA – 10/01/2018; IL – 10/21/2018; and OK – 10/28/2018.

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