

## Compliance Newsletter

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Disclaimer: Does not contain information for all legislation that may affect a provider of Credit Protection products. You should review each bill in its entirety to determine the impact and what actions are needed, if any, to comply with state requirements.

## Credit Insurance

### NEW ITEMS:

#### Indiana:

##### **SB 26 – Imposes limits to other transactions occurring during small loan transactions.**

Would amend Indiana Code to change the current incremental finance charge limits that apply to a small loan to a maximum annual rate. This bill effectively creates an “all-in APR” for small loans.

**Effective Date:** July 1, 2020.

**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.

#### Massachusetts:

##### **Bulletin 2019-09 – Motor Vehicle Dealers, Credit Life and Credit Accident and Health rates.**

Issues new deviated case rates for credit life and credit accident and health for policies sold through motor vehicle dealers between January 1, 2020 and December 31, 2022.

**Effective Date:** January 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

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

**Rate Impact:** Potential impact to rates for motor vehicle dealers. A bulletin will be issued to any affected accounts.

#### Missouri:

##### **HB 1543 & SB 669 – Increases the maximum duration of credit transaction that is subject to regulation under the statutes governing credit insurance.**

Currently, insurance written in connection with a loan or other credit transaction with a duration of more than 10 years is not subject to regulation. This bill increases the time period from 10 years to 15 years.

**Effective Date:** Upon enactment.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Would permit credit insurance to be written for a longer term.

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

**Rate Impact:** No changes anticipated.

#### New Hampshire:

##### **HB 1419 – Requiring banks to offer small dollar loans and credit building products.**

Would amend New Hampshire code to require banks to offer small dollar loans. Small dollar loans are those with a maximum value of \$2,500, a repayment plan of no more than 12 months, and an interest rate of no more than 26% APR.

**Effective Date:** Effective 60 days after passage.

**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.

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## New Mexico:

### **Bulletin 2019-018 – Credit Life and Credit Accident and Health Insurance Rates.**

On December 30, 2019, the Office of Superintendent of Insurance promulgated new prima facie rates applicable to credit life and credit accident and health insurance premiums collected beginning January 1, 2020. Credit life and accident and health rates are again being reduced by ten percent. After discussion with the Department, the implementation date for complying with this Bulletin has been moved to April 1, 2020.

**Effective Date:** April 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

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

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

### **HB 81 – Bank Installment Loan Act & Small Loan Act – Rate Caps.**

Would amend New Mexico code to establish a 36% rate cap for Bank Installment Loan Act and Small Loan Act lenders.

**Effective Date:** July 1, 2020.

**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.

## Ohio:

### **Regulation Changes – Imposes limits to other transactions occurring during small loan transactions.**

Imposes restrictions as to what “other transactions” may be financed with the loan transaction.

**Effective Date:** Upon enactment.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Credit insurance products would be permitted to be sold, but may impact motor club sales.

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

**Rate Impact:** No changes anticipated.

## Virginia:

### **HB 184 & HB 1441 – Open-End Credit Plans.**

Would amend Virginia Code to prohibit a creditor from extending credit under an open-end credit plan at an annual rate that exceeds 36% unless the credit is extended by the seller of personal, family, or household goods for the sole purpose of financing the purchase price.

**Effective Date:** July 1, 2020.

**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.

### **HB 789 & SB 421 – Payday Loan Replacement.**

Would amend Virginia Code to replace payday loans with short-term loans up to \$2,500 and with a 36% interest rate cap. These bills allow for the sale of credit insurance and are not “all-in APR” bills.

**Effective Date:** January 1, 2021.

**Licensing Impact:** No changes anticipated.

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**Product/Program Impact:** No changes anticipated.  
**Consumer Contract Impact:** No changes anticipated.  
**Rate Impact:** No changes anticipated.

**HB 1265 & SB 33 – Consumer Finance Companies, Installment Loans.**

Would amend Virginia Code to allow consumer finance companies to make installment loans from \$500 to \$35,000 with a 36% interest rate cap. These bills allow for the sale of credit insurance and are not “all-in APR” bills.

**Effective Date:** Upon enactment.  
**Licensing Impact:** No changes anticipated.  
**Product/Program Impact:** No changes anticipated.  
**Consumer Contract Impact:** No changes anticipated.  
**Rate Impact:** No changes anticipated.

**HB 843 & HB 1296 – Payday Loans, Title Loans, and Certain Open-End Credit Plans.**

Would amend Virginia Code to cap the rate of interest that may be charged by motor vehicle title loans, payday loans, and open-end credit plans at 36% per year. The bill would prohibit a lender from charging a membership fee, participation fee, or transaction fee in connection with any such extension of credit. The bill would also cap the maximum rate of interest that a licensed consumer finance company could charge on any loan at 36% annually and eliminate the existing provision that permit such licensees to charge any agreed-upon amount of interest on consumer finance loans over \$2,500.

**Effective Date:** Upon enactment.  
**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.

**SB 855 – Small Loans.**

Would amend Virginia Code to require that persons making small, unsecured loans up to \$5,000 be licensed, and would limit the APR for such loans to 36%.

**Effective Date:** October 1, 2020.  
**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.

**PREVIOUSLY REPORTED:**

**California:**

**SB 482 – Amendments to the California Financing Law.**

Would require that ancillary products, including credit insurance, only be sold in California Financing Law lending transactions after disbursement. (Has been modified to no longer place restrictions on when ancillary products can be sold during the loan transaction.)

**Effective Date:** Upon enactment.  
**Licensing Impact:** No changes anticipated.  
**Product/Program Impact:** Potential impact to timing of sale of ancillary products.  
**Consumer Contract Impact:** No changes anticipated.  
**Rate Impact:** No changes anticipated.

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## Florida:

### **SB 894 – Responsible Credit Pilot Program.**

Would create the Access to Responsible Credit Pilot Program within the Office of Financial Regulation requiring a program license from the office to advertise, offer, or make program loans or to impose certain charges or fees; specifying requirements for program licensees, program loans, loan repayments, rescissions, interest rates, program loan refinancing, receipts, disclosures and statements provided by program licensees to borrowers, origination fees, insufficient funds fees, and delinquency charges, etc.

**Effective Date:** Proposed – January 1, 2021.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Interest rate restrictions may impact ability to sell credit insurance.

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

**Rate Impact:** No changes anticipated.

## Hawaii:

### **HB 79 & SB 537 – Relating to Consumer Protection. Passed by the Senate. Passed by the House with disagreement.**

Would impact installment loans up to \$1,000. Credit insurance premiums would not be allowed to be collected by the lender/licensee.

**Effective Date:** Proposed – January 1, 2020.

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

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

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

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

## New York:

### **AB 6506 – 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.

**Effective Date:** 180 days after becoming law.

**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.

## 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

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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. **Effective Date of Rule has been stayed, pending further development.**

**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 2883 & HR 5050 – Federal All-In APR.**

Would amend the Truth in Lending Act to extend the Military Lending Act “all-in APR” to all consumers.

**NO LONGER MONITORING:**

None.

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## Lender-Placed Insurance

### NEW ITEMS:

None.

### PREVIOUSLY REPORTED:

None.

### NO LONGER MONITORING:

#### **New Jersey:**

**Signed by Governor.**

**SB 2998 and AB 5323 – Requires creditors to make certain disclosures regarding collateral protection insurance to consumer debtors.**

Would amend New Jersey code to require additional disclosures be made to borrowers with respect to collateral protection insurance.

**Effective Date:** Proposed – 90 days after the date of enactment.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to current forms and/or processes.

**Consumer Contract Impact:** Potential impact to current forms and/or processes.

**Rate Impact:** No changes anticipated.

#### **New Hampshire:**

**HB 586 – Creditor-Placed Insurance Act.**

**Died in Committee.**

Would establish a creditor-placed insurance act, setting forth new requirements to creditor-placed programs being offered in New Hampshire.

**Effective Date:** Proposed – January 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to current forms, coverages, and rates.

**Consumer Contract Impact:** Potential impact to current forms.

**Rate Impact:** Potential impact to current rates.

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## **Licensing Reminders**

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 – 2/23/2020; ND – 2/23/2020; DC – 2/27/2020; LA – 3/7/2020; MS – 3/15/2020; NJ – 3/23/2020; SD – 3/31/2020; NE – 4/14/2020; CT – 4/17/2020; MD – 5/1/2020 (Motor club appointments only); AR – 5/25/2020; VT – 5/26/2020; WV – 5/31/2020; OH – 6/15/2020; VA – 6/15/2020.

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