
Compliance Newsletter

NEW ITEMS:

None to report.

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.

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.

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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.

North Carolina:

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

On September 1, 2018, the North Carolina Department of Insurance promulgated new prima facie rates applicable to all credit involuntary unemployment insurance premiums collected beginning January 1, 2019. This action will cause a decrease in both single premium and monthly outstanding balance rates.

Effective Date: January 1, 2019

Licensing Impact: No changes necessary.

Product/Program Impact: Credit Involuntary Unemployment Insurance.

Consumer Contract Impact: No changes necessary.

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

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.

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.

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Virginia:

Order Adopting Adjusted Prima Facie Rates for the Triennium.

On August 22, 2018, the State Corporation Commission of the Commonwealth of Virginia promulgated new prima facie rates applicable to credit life and accident and sickness insurance premiums collected beginning January 1, 2019. This order will cause a decrease in credit life and accident and sickness single premium and monthly outstanding balance rates.

Effective Date: January 1, 2019

Licensing Impact: No changes necessary.

Product/Program Impact: Credit Life and Accident and Sickness Insurance.

Consumer Contract Impact: No changes necessary.

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

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 – Protecting Consumers from Unreasonable Credit Rates Act of 2017.

This bill amends the Truth in Lending Act to prohibit a creditor from extending credit to a consumer under an open end consumer credit plan (credit card) for which the fee and interest rate exceeds 36%. The bill also sets forth criminal penalties for violations and empowers state Attorneys General to enforce the bill.

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:

California:

AB 2500 – Consumer Loan – Charges.

Did not pass floor vote.

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.

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

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.

Ohio:

HB 123 – Modify Short-Term Loan Act.

Signed by Governor.

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

Effective Date: 10/29/2018.

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.

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: WA – 10/01/2018; IL – 10/21/2018; OK – 10/28/2018; AL – 12/15/2018; GA – 12/15/2018; KS – 12/15/2018; MI – 12/20/2018; IA – 12/28/2018; KY – 12/31/2018; PA – 12/31/2018; and WI – 12/31/2018.

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