

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature – First Regular Session

COMMITTEE ON BANKING AND FINANCIAL SERVICES

Report of Regular Meeting
Tuesday, February 10, 2015
House Hearing Room 3 -- 2:00 p.m.

Convened 2:00 p.m.
Recessed 2:01 p.m.
Reconvened 3:23 p.m.
Adjourned 5:20 p.m.

Members Present

Mr. Allen J
Mr. Espinoza
Mr. Farnsworth E
Mrs. Gabaldón
Ms. McCune Davis
Mrs. Norgaard
Mr. Weninger, Vice-Chairman
Mrs. Brophy McGee, Chairman

Members Absent

Request to Speak

Report – Attachment 1

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
None		

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments (Summaries, Amendments, Roll Call)</u>
HB2023	NOT ASSIGNED		
HB2220	S/E DPA	5-2-0-1	2, 3, 4
HB2611	DISCUSSED AND HELD		5, 6
HCR2034	DP	8-0-0-0	7, 8



Joanne Bell, Chairman Assistant
February 11, 2015

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

Information Registered on the Request to Speak System

House Banking and Financial Services (2/10/2015)

HB2220, security freezes; credit reports; minors.

Testified in support:

Ryan O'Daniel, CONSUMER DATA INDUSTRY ASSN

Support:

James Hamilton, LIFELOCK; Leonard Clark Clark, representing self

All Comments:

Ryan O'Daniel, CONSUMER DATA INDUSTRY ASSN: Support the proposed striker to create national uniformity with other states that have adopted similar measures.; James Hamilton, LIFELOCK: Support with Brophy McGee strike everything.

HB2023, state parks board; technical correction

Support:

Courtney Gilstrap LeVinus, Arizona Multihousing Association

HCR2034, financial literacy month

Support:

Cynthia Zwick, Arizona Community Action Association; Mary Ryan, representing self; kelsey lundy, Lobbyist, Other

All Comments:

Cynthia Zwick, Arizona Community Action Association: Arizona Community Action Association supports the resolution proclaiming April 2015 Financial Literacy Month and recognizes the importance for members of our community to better understand financial products, services and how to use them.; kelsey lundy, Other: Representing Springleaf Financial

HB2611, consumer flex loans

Testified in support:

kelsey lundy, Lobbyist, Arizona Financial Choice Association; Robert Grieser, representing self

Testified as opposed:

Cynthia Zwick, Arizona Community Action Association; Mary Ryan, representing self

Support:

Jim Norton, Arizona Financial Choice Association; David Schwarz, representing self; Vanessa Lugo, representing self; Scot Mussi, Arizona Free Enterprise Club; Brian Tassinari, Enova; James Hamilton, ONLINE LENDERS ALLIANCE

Neutral:

Leonard Clark Clark, representing self

Oppose:

virginia brant, AARP Arizona; Kelly Griffith, SOUTHWEST CENTER FOR ECONOMIC INTEGRITY; Joan Serviss, Executive Director, AZ COALITION TO END HOMELESSNESS; ellen katz, William E. Morris Institute For Justice; Alona Del Rosario, AZ COALITION TO END SEXUAL AND DOMESTIC VIOLENCE; Molly McGovern, representing self; Kristin Gwinn, representing self; Julianna Myers, representing self; Alicia Klassen, representing self

All Comments:

virginia brant, AARP Arizona: In 2008 we the citizens of AZ. voted over whelming to defeat predatory Lending in Az. Each year this is brought back under a different form or predatory Lending. I cannot see how a person could get out of this I can not see how they can pay this back; Kelly Griffith, SOUTHWEST CENTER FOR ECONOMIC INTEGRITY: Regardless if it is called an interest or fee, the costs are far in excess of Arizona's existing law. In fact, the legislature just increased the cost of these loans last session. Now is not the time to increase the costs even more.; ellen katz, William E. Morris Institute For Justice: This bill is sponsored by those like payday lenders who the voters of Arizona overwhelmingly wanted out of Arizona. They create a debt trap and charge fees of over 200%. It will take years to pay off these loans. Protect us from these companies.; David Schwarz, Self: Representing Community Choice Financial, Inc. Represented by Kelsey Lundy and Jim Norton in AZ.; Robert Grieser, Self: I work for Community Choice Financial, represented in AZ by R&R Partners; Kristin Gwinn, Self: Predatory lending is predatory lending, no matter what you choose to call it. Every time the voters of AZ have been given the opportunity to have their say on this issue, they come out strongly against. I urge you to do the same.



HOUSE OF REPRESENTATIVES

HB 2220

security freezes; credit reports; minors.

Sponsors: Representatives Cobb; Borrelli, Campbell, et al.

X Committee on Banking and Financial Services

Caucus and COW

House Engrossed

OVERVIEW

HB 2220 allows a parent to request a security freeze to be placed on the credit report of the parent's minor child.

Summary of the Proposed Strike-Everything Amendment to HB 2220

The proposed strike-everything amendment to HB 2220 enables a protected consumer's representative to request a security freeze to be placed on a protected consumer's record or credit report.

HISTORY

Arizona Revised Statutes (A.R.S.), Title 44, Chapter 11, Article 6 provides authorization for *consumer reporting agencies* (CRA) to furnish a consumer report under defined circumstances and outlines the procedures and requirements for placing a security freeze on a consumer's credit report. Pursuant to A.R.S. § 44-1698, a consumer may request that a CRA place a security freeze on the consumer's credit report. A security freeze prevents credit bureaus from releasing credit information without the consumer's express permission. Statute allows a CRA to charge the consumer a \$5 fee to place a security freeze on the credit report, unless the consumer provides a police report that alleges the consumer is a victim of identity theft.

Statute defines *CRA* as any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information on consumers for the purpose of furnishing consumer reports to third parties.

A *consumer report* is any written, oral, or other communication of any information by a CRA bearing on a consumer's credit worthiness, credit standing, credit capacity, character, or mode of living which is used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for credit or insurance, employment, or other purposes as authorized in statute.

According to the Office of the Attorney General, in 2013, 6% of the identity theft reports on Consumer Sentinel were for consumers age 19 and under. Per the Consumer Sentinel Network Data Book for 2013, Arizona had the 7th highest number of identity theft complaints with 6,043 of the 290,056 identity theft complaints filed.

PROVISIONS

1. Stipulates a CRA to place a security freeze on a protected consumer's record or credit report if certain requirements are met.
2. Directs a CRA to create a record for the protected consumer if no record currently exists.

Fifty-second Legislature
First Regular Session

Analyst Initials _____
February 5, 2015

ATTACHMENT *2*

HB 2220

3. Requires a CRA to place a security freeze on the protected consumer's record or credit report within 30 days of receiving a request.
4. Prohibits the CRA from releasing any information derived from the consumer's credit report, unless the security freeze has been removed.
5. States the security freeze remains in effect until either:
 - a. The protected consumer or the protected consumer's representative requests to have the security freeze removed; or
 - b. The CRA removes the security freeze as authorized by statute.
6. Outlines the procedure and requirements to remove a security freeze for a protected consumer.
7. Requires a CRA to remove a security freeze within 30 days after receiving a request for removal.
8. Allows a CRA to charge a fee of up to \$20 dollars for each placement or removal of a security freeze, with the following exceptions:
 - a. The protected consumer's representative provides a police report alleging that the protected consumer is a victim of identity theft;
 - b. The protected consumer is under the age of 16 and the CRA has a credit report pertaining to the protected consumer.
9. Authorizes the CRA to remove a security freeze or delete a protected consumer's record if established on a material misrepresentation of fact by the protected consumer or the protected consumer's representative.
10. Directs the attorney general to enforce the provisions of this act.
11. Delineates the conditions in which the security freeze does not apply.
12. Defines pertinent terms.
13. Contains a delayed effective date of January 1, 2016.

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2220

(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Title 44, chapter 11, article 6, Arizona Revised Statutes,
3 is amended by adding section 44-1698.02, to read:

4 44-1698.02. Security freezes; credit reports; protected
5 consumer; fees; definitions

6 A. A CONSUMER REPORTING AGENCY SHALL PLACE A SECURITY FREEZE ON A
7 PROTECTED CONSUMER'S RECORD OR CREDIT REPORT IF BOTH OF THE FOLLOWING APPLY:

8 1. THE CONSUMER REPORTING AGENCY RECEIVES A REQUEST FROM THE PROTECTED
9 CONSUMER'S REPRESENTATIVE FOR THE PLACEMENT OF THE SECURITY FREEZE.

10 2. THE PROTECTED CONSUMER'S REPRESENTATIVE DOES ALL OF THE FOLLOWING:

11 (a) SUBMITS THE REQUEST TO THE CONSUMER REPORTING AGENCY AT THE
12 ADDRESS OR OTHER POINT OF CONTACT AND IN THE MANNER SPECIFIED BY THE CONSUMER
13 REPORTING AGENCY.

14 (b) PROVIDES TO THE CONSUMER REPORTING AGENCY SUFFICIENT PROOF OF
15 IDENTIFICATION OF THE PROTECTED CONSUMER AND THE REPRESENTATIVE.

16 (c) PROVIDES TO THE CONSUMER REPORTING AGENCY SUFFICIENT PROOF OF
17 AUTHORITY TO ACT ON BEHALF OF THE PROTECTED CONSUMER.

18 (d) PAYS TO THE CONSUMER REPORTING AGENCY A FEE AS PRESCRIBED IN
19 SUBSECTION H OF THIS SECTION:

20 B. IF A CONSUMER REPORTING AGENCY DOES NOT HAVE A FILE PERTAINING TO A
21 PROTECTED CONSUMER WHEN THE CONSUMER REPORTING AGENCY RECEIVES A REQUEST
22 PURSUANT TO SUBSECTION A, PARAGRAPH 1 OF THIS SECTION, THE CONSUMER REPORTING
23 AGENCY SHALL CREATE A RECORD FOR THE PROTECTED CONSUMER.

1 C. WITHIN THIRTY DAYS AFTER RECEIVING A REQUEST PURSUANT TO THIS
2 SECTION, A CONSUMER REPORTING AGENCY SHALL PLACE A SECURITY FREEZE ON THE
3 PROTECTED CONSUMER'S RECORD OR CREDIT REPORT.

4 D. UNLESS A SECURITY FREEZE IS REMOVED PURSUANT TO SUBSECTION F OR J
5 OF THIS SECTION, A CONSUMER REPORTING AGENCY MAY NOT RELEASE THE PROTECTED
6 CONSUMER'S CREDIT REPORT, ANY INFORMATION DERIVED FROM THE PROTECTED
7 CONSUMER'S CREDIT REPORT OR ANY RECORD CREATED FOR THE PROTECTED CONSUMER.

8 E. A SECURITY FREEZE THAT IS PLACED ON A PROTECTED CONSUMER'S RECORD
9 OR CREDIT REPORT PLACED UNDER THIS SECTION REMAINS IN EFFECT UNTIL EITHER:

10 1. THE PROTECTED CONSUMER OR THE PROTECTED CONSUMER'S REPRESENTATIVE
11 REQUESTS THAT THE CONSUMER REPORTING AGENCY REMOVE THE SECURITY FREEZE
12 PURSUANT TO SUBSECTION F OF THIS SECTION.

13 2. THE SECURITY FREEZE IS REMOVED PURSUANT TO SUBSECTION J OF THIS
14 SECTION.

15 F. TO REMOVE A SECURITY FREEZE FOR A PROTECTED CONSUMER, THE PROTECTED
16 CONSUMER OR THE PROTECTED CONSUMER'S REPRESENTATIVE SHALL SUBMIT A REQUEST
17 FOR THE REMOVAL OF THE SECURITY FREEZE TO THE CONSUMER REPORTING AGENCY AT
18 THE ADDRESS OR OTHER POINT OF CONTACT AND IN THE MANNER SPECIFIED BY THE
19 CONSUMER REPORTING AGENCY AND PAY A FEE AS PRESCRIBED IN SUBSECTION H OF THIS
20 SECTION. IN ADDITION:

21 1. IF THE PROTECTED CONSUMER REQUESTED THE REMOVAL OF THE SECURITY
22 FREEZE, THE PROTECTED CONSUMER SHALL PROVIDE TO THE CONSUMER REPORTING AGENCY
23 EITHER OF THE FOLLOWING:

24 (a) PROOF THAT THE PROTECTED CONSUMER'S REPRESENTATIVE NO LONGER HAS
25 SUFFICIENT PROOF OF AUTHORITY TO ACT ON BEHALF OF THE PROTECTED CONSUMER.

26 (b) SUFFICIENT PROOF OF IDENTIFICATION OF THE PROTECTED CONSUMER.

27 2. IF THE PROTECTED CONSUMER'S REPRESENTATIVE REQUESTED THE REMOVAL OF
28 THE SECURITY FREEZE ON BEHALF OF THE PROTECTED CONSUMER, THE PROTECTED
29 CONSUMER'S REPRESENTATIVE SHALL PROVIDE TO THE CONSUMER REPORTING AGENCY BOTH
30 OF THE FOLLOWING:

31 (a) SUFFICIENT PROOF OF IDENTIFICATION OF THE PROTECTED CONSUMER AND
32 THE REPRESENTATIVE.

1 (b) SUFFICIENT PROOF OF AUTHORITY TO ACT ON BEHALF OF THE PROTECTED
2 CONSUMER.

3 G. WITHIN THIRTY DAYS AFTER RECEIVING A REQUEST TO REMOVE A SECURITY
4 FREEZE PLACED PURSUANT TO SUBSECTION A OF THIS SECTION, THE CONSUMER
5 REPORTING AGENCY SHALL REMOVE THE SECURITY FREEZE FOR THE PROTECTED CONSUMER.

6 H. A CONSUMER REPORTING AGENCY MAY CHARGE A REASONABLE FEE, NOT
7 EXCEEDING TWENTY DOLLARS, FOR EACH PLACEMENT OR REMOVAL OF A SECURITY FREEZE
8 ON A PROTECTED CONSUMER'S RECORD OR CREDIT REPORT.

9 I. NOTWITHSTANDING SUBSECTION H OF THIS SECTION, A CONSUMER REPORTING
10 AGENCY MAY NOT CHARGE ANY FEE UNDER THIS SECTION IF EITHER OF THE FOLLOWING
11 APPLIES:

12 1. THE PROTECTED CONSUMER'S REPRESENTATIVE PROVIDES A COPY OF A POLICE
13 REPORT TO THE CONSUMER REPORTING AGENCY ALLEGING THAT THE PROTECTED CONSUMER
14 HAS BEEN A VICTIM OF AN OFFENSE INVOLVING A VIOLATION OF SECTION 13-2008 OR
15 13-2009.

6 2. A REQUEST FOR THE PLACEMENT OR REMOVAL OF A SECURITY FREEZE IS FOR
17 A PROTECTED CONSUMER WHO IS UNDER SIXTEEN YEARS OF AGE AT THE TIME OF THE
18 REQUEST AND THE CONSUMER REPORTING AGENCY HAS A CREDIT REPORT PERTAINING TO
19 THE PROTECTED CONSUMER.

20 J. A CONSUMER REPORTING AGENCY MAY REMOVE A SECURITY FREEZE FOR A
21 PROTECTED CONSUMER OR MAY DELETE A PROTECTED CONSUMER'S RECORD IF THE
22 SECURITY FREEZE WAS PLACED OR THE RECORD WAS CREATED BASED ON A MATERIAL
23 MISREPRESENTATION OF FACT BY THE PROTECTED CONSUMER OR THE PROTECTED
24 CONSUMER'S REPRESENTATIVE.

25 K. THE ATTORNEY GENERAL SHALL ENFORCE THIS SECTION.

26 L. THIS SECTION DOES NOT APPLY TO THE USE OF A PROTECTED CONSUMER'S
27 CREDIT REPORT OR RECORD BY ANY OF THE FOLLOWING:

28 1. A PERSON ADMINISTERING A CREDIT FILE MONITORING SUBSCRIPTION
29 SERVICE TO WHICH EITHER:

30 (a) THE PROTECTED CONSUMER HAS SUBSCRIBED.

31 (b) THE PROTECTED CONSUMER'S REPRESENTATIVE HAS SUBSCRIBED ON BEHALF
32 OF THE PROTECTED CONSUMER.

1 2. A PERSON PROVIDING THE PROTECTED CONSUMER OR THE PROTECTED
2 CONSUMER'S REPRESENTATIVE WITH A COPY OF THE PROTECTED CONSUMER'S CREDIT
3 REPORT ON THE REQUEST OF THE PROTECTED CONSUMER OR THE PROTECTED CONSUMER'S
4 REPRESENTATIVE.

5 3. A CHECK SERVICES OR FRAUD PREVENTION SERVICES COMPANY THAT ISSUES
6 EITHER:

7 (a) REPORTS ON INCIDENTS OF FRAUD.

8 (b) AUTHORIZATIONS FOR THE PURPOSE OF APPROVING OR PROCESSING
9 NEGOTIABLE INSTRUMENTS, ELECTRONIC FUNDS TRANSFERS OR SIMILAR PAYMENT
10 METHODS.

11 4. A DEPOSIT ACCOUNT INFORMATION SERVICE COMPANY THAT ISSUES REPORTS
12 RELATING TO ACCOUNT CLOSURES DUE TO FRAUD, SUBSTANTIAL OVERDRAFTS, AUTOMATED
13 TELLER MACHINE ABUSE OR SIMILAR NEGATIVE INFORMATION ABOUT A CONSUMER TO
14 INQUIRING BANKS OR OTHER FINANCIAL INSTITUTIONS FOR USE ONLY IN REVIEWING A
15 CONSUMER REQUEST FOR A DEPOSIT ACCOUNT AT THE INQUIRING BANK OR FINANCIAL
16 INSTITUTION.

17 5. AN INSURANCE COMPANY FOR THE PURPOSE OF CONDUCTING ITS ORDINARY
18 BUSINESS.

19 6. A CONSUMER REPORTING AGENCY THAT BOTH:

20 (a) ACTS ONLY TO RESELL CREDIT INFORMATION BY ASSEMBLING AND MERGING
21 INFORMATION CONTAINED IN A DATABASE OF ANOTHER CONSUMER REPORTING AGENCY.

22 (b) DOES NOT MAINTAIN A PERMANENT DATABASE OF CREDIT INFORMATION FROM
23 WHICH NEW CREDIT REPORTS ARE PRODUCED.

24 7. A CONSUMER REPORTING AGENCY'S DATABASE OR FILE THAT CONSISTS OF
25 INFORMATION CONCERNING AND USED FOR ONE OR MORE OF THE FOLLOWING, BUT NOT FOR
26 CREDIT GRANTING, PURPOSES:

27 (a) CRIMINAL RECORD INFORMATION.

28 (b) FRAUD PREVENTION OR DETECTION.

29 (c) PERSONAL LOSS HISTORY INFORMATION.

30 (d) EMPLOYMENT, TENANT OR INDIVIDUAL BACKGROUND SCREENING.

31 M. FOR THE PURPOSES OF THIS SECTION:

1 1. "PROTECTED CONSUMER" MEANS AN INDIVIDUAL WHO IS UNDER SIXTEEN YEARS
2 OF AGE AT THE TIME A REQUEST FOR THE PLACEMENT OF A SECURITY FREEZE IS MADE
3 OR WHO IS AN INCAPACITATED PERSON OR A PROTECTED PERSON FOR WHOM A GUARDIAN
4 OR CONSERVATOR HAS BEEN APPOINTED.

5 2. "RECORD" MEANS A COMPILATION OF INFORMATION TO WHICH ALL OF THE
6 FOLLOWING APPLY:

7 (a) THE RECORD IDENTIFIES A PROTECTED CONSUMER.

8 (b) THE RECORD IS CREATED BY A CONSUMER REPORTING AGENCY SOLELY FOR
9 THE PURPOSE OF COMPLYING WITH THIS SECTION.

10 (c) THE RECORD IS NOT CREATED OR USED TO CONSIDER THE PROTECTED
11 CONSUMER'S CREDIT WORTHINESS, CREDIT STANDING, CREDIT CAPACITY, CHARACTER,
12 GENERAL REPUTATION, PERSONAL CHARACTERISTICS OR MODE OF LIVING.

13 3. "REPRESENTATIVE" MEANS A PERSON WHO PROVIDES TO A CONSUMER
14 REPORTING AGENCY SUFFICIENT PROOF OF AUTHORITY TO ACT ON BEHALF OF A
15 PROTECTED CONSUMER.

16 4. "SECURITY FREEZE" MEANS:

17 (a) IF A CONSUMER REPORTING AGENCY DOES NOT HAVE A FILE PERTAINING TO
18 A PROTECTED CONSUMER, A RESTRICTION THAT IS PLACED ON THE PROTECTED
19 CONSUMER'S RECORD AND THAT PROHIBITS THE CONSUMER REPORTING AGENCY FROM
20 RELEASING THE PROTECTED CONSUMER'S RECORD.

21 (b) IF A CONSUMER REPORTING AGENCY HAS A FILE PERTAINING TO THE
22 PROTECTED CONSUMER, A RESTRICTION THAT IS PLACED ON THE PROTECTED CONSUMER'S
23 CREDIT REPORT AND THAT PROHIBITS THE CONSUMER REPORTING AGENCY FROM RELEASING
24 THE PROTECTED CONSUMER'S CREDIT REPORT OR ANY INFORMATION DERIVED FROM THE
25 PROTECTED CONSUMER'S CREDIT REPORT.

26 5. "SUFFICIENT PROOF OF AUTHORITY" MEANS DOCUMENTATION THAT SHOWS A
27 REPRESENTATIVE HAS AUTHORITY TO ACT ON BEHALF OF A PROTECTED CONSUMER AND
28 INCLUDES:

29 (a) A COURT ORDER.

30 (b) A LAWFULLY EXECUTED AND VALID POWER OF ATTORNEY.

1 (c) A WRITTEN, NOTARIZED STATEMENT SIGNED BY A REPRESENTATIVE THAT
2 EXPRESSLY DESCRIBES THE AUTHORITY OF THE REPRESENTATIVE TO ACT ON BEHALF OF A
3 PROTECTED CONSUMER.

4 6. "SUFFICIENT PROOF OF IDENTIFICATION" MEANS INFORMATION OR
5 DOCUMENTATION THAT IDENTIFIES A PROTECTED CONSUMER OR A REPRESENTATIVE OF A
6 PROTECTED CONSUMER AND INCLUDES:

7 (a) A SOCIAL SECURITY NUMBER OR A SOCIAL SECURITY CARD ISSUED BY THE
8 SOCIAL SECURITY ADMINISTRATION.

9 (b) A CERTIFIED OR OFFICIAL COPY OF A BIRTH CERTIFICATE ISSUED BY THE
10 DEPARTMENT OF HEALTH SERVICES.

11 (c) A DRIVER LICENSE OR A NONOPERATING IDENTIFICATION LICENSE ISSUED
12 BY THE DEPARTMENT OF TRANSPORTATION PURSUANT TO TITLE 28, CHAPTER 8 OR ANY
13 OTHER GOVERNMENT ISSUED IDENTIFICATION.

14 Sec. 2. Effective date

15 Section 44-1698.02, Arizona Revised Statutes, is effective from and
16 after December 31, 2015."

17 Amend title to conform

KATE BROPHY MCGEE

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02/04/2015
2:28 PM
C: mu

**ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session**

ROLL CALL VOTE

COMMITTEE ON BANKING AND FINANCIAL SERVICES BILL NO. HB 2220

DATE February 10, 2015 MOTION: S/E d pa

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Allen J					✓
Mr. Espinoza			✓		
Mr. Farnsworth E		✓			
Mrs. Gabaldón		✓			
Ms. McCune Davis			✓		
Mrs. Norgaard		✓			
Mr. Weninger, Vice-Chairman		✓			
Mrs. Brophy McGee, Chairman		✓			
		5	2	0	1

APPROVED:


KATE BROPHY MCGEE, Chairman
JEFF WENINGER, Vice-Chairman


COMMITTEE SECRETARY

ATTACHMENT 4



HOUSE OF REPRESENTATIVES

HB 2611

consumer flex loans

Sponsor: Representative Mesnard

X Committee on Banking and Financial Services
Caucus and COW
House Engrossed

OVERVIEW

HB 2611 establishes a flex loan and outlines requirements and regulations for licensure.

HISTORY

Established in 1973, The Arizona Department of Financial Institutions' (DFI) is statutorily charged with the licensing, supervision and regulation of state-chartered financial institutions and enterprises. The regulated entities include money transmitters, motor vehicle dealers, collections agencies, consumer lenders, mortgage banks and brokers, credit unions, and banks.

PROVISIONS

1. Directs DFI to assess a charge of up to \$65 dollars per hour for each examiner employed to exam a flex loan lender.
2. Applies a \$500 dollar application fee for a flex loan lender branch office.
3. Allows the superintendent of DFI to set the fee amount for a flex loan lender license.
4. Sets the renewal fee for a flex loan lender license at \$1,000, plus \$200 for each branch office.
5. Establishes the flex loan and outlines the requirements for licensure.
6. Defines pertinent terms.
7. Delineates individuals exempt from licensure.
8. Outlines the types of loans that are exempt from the requirements associated with a flex loan.
9. Outlines the circumstances in which the superintendent of DFI (superintendent) may deny renewal of a license or suspend or revoke a license.
10. Prohibits the licensee making flex loans under any name or at any place of business other than the name and place stated in the license.
11. Permits the licensee to make flex loans by mail or electronic means, make accommodations to consumers at any location requested by the consumer, and conduct administrative, loan servicing, or recordkeeping activity at any other location not open to the public, if the superintendent is notified in advance of that activity.
12. Stipulates the licensee may conduct certain activities outside the state if approved by the superintendent.
13. Allows the licensee to change the location of offices upon written notice to the superintendent.

HB 2611

14. Subjects a flex loan to the requirements relating to disclosures, finance charges, repayments, and annual reporting.
15. Prohibits a licensee from making a flex loan from within any licensed office in which any other business not licensed and regulated by DFI is solicited or engaged in, or in association or conjunction with any other business not licensed and regulated by DFI.
16. Requires the licensee to maintain any records that enable the superintendent to determine compliance for at least two years, and allows electronic recordkeeping.
17. Directs licensee to observe generally accepted account principles and practices.
18. Requires a licensee to make any records available on demand by the superintendent within three business days.
19. States the superintendent must have access during normal business hours to an office, file, safe, or vault regarding the business or subject matter or any examination, investigation or hearing.
20. Requires the licensee to file an annual report in the form prescribed by the superintendent before October 1 of each year and provides fees and penalties for noncompliance.
21. Requires the licensee to report the standard annual percentage rate or range of annual percentage rates in effect on certain types of loans at the time the licensee submits the annual report.
22. Directs the superintendent to compile a report of the standard annual percentage rate or range of annual percentage rates for public dissemination on at least an annual basis.
23. Specifies the effect of a revocation, suspension, surrender, cancellation or alteration of any flex loan license on a preexisting loan or contract.
24. Prohibits a licensee from knowingly advertise, display, or distribute, any false or deceptive statement with regard to the rates, terms, or conditions of a flex loan.
25. Prohibits a licensee from paying a fee, commission, or bonus to any merchant, dealer, consumer, except may give a prize, good, or tangible property of an aggregate value of \$25 dollars or less.
26. Prohibits a consumer from having more than one outstanding flex loan and requires the consumer to present in writing that they qualify for a new flex loan.
27. Requires a licensee to inquire on any outstanding flex loan and prohibits the licensee from offering a new loan if the consumer has one or more outstanding loan until the consumer presents in writing that they qualify for a new loan.
28. Directs the superintendent to adopt rules necessary to regulate the proper conduct of licensees.
29. Specifies the conditions which constitute a voidable loan.
30. States failure to comply does not affect the validity or enforceability of any flex loan, with exception.
31. Outlines the requirements for flex loans, which include disclosures, finance charges, repayments, allowable fees, and annual reporting.

HB 2611

32. States a person is not responsible for a loan that is incurred as a result of theft or fraud. The licensee is required to correct any derogatory credit information within 30 days of becoming aware that the loan was a result of theft or fraud.

Southwest Center for Economic Integrity

Projected Flex Loan Costs

Consumer Federation of America

Assumptions	
Principal	\$ 3,000
Max APR	36%
Req reduction	5%
Max permissible fee	0.5%

Table. Monthly Payment for a \$3000 Flex Loan Assuming a 5% Principal Reduction on the Outstanding Balance

	Year 1												
	0	30	60	90	120	150	180	210	240	270	300	360	
Monthly Payment	\$ -	\$ 150	\$ 143	\$ 135	\$ 129	\$ 122	\$ 116	\$ 110	\$ 105	\$ 100	\$ 95	\$ 90	\$ 85
Interest (Monthly Rate on Monthly Balance)	\$ -	\$ 90	\$ 86	\$ 81	\$ 77	\$ 73	\$ 69	\$ 66	\$ 63	\$ 60	\$ 57	\$ 54	\$ 51
Fees	\$ -	\$ 450	\$ 428	\$ 406	\$ 386	\$ 367	\$ 348	\$ 331	\$ 314	\$ 299	\$ 284	\$ 269	\$ 256
Total Payment	\$ -	\$ 690	\$ 668	\$ 623	\$ 582	\$ 562	\$ 534	\$ 507	\$ 482	\$ 458	\$ 435	\$ 413	\$ 382
Cumulative Payments	\$ -	\$ 690	\$ 1,346	\$ 1,968	\$ 2,560	\$ 3,122	\$ 3,656	\$ 4,163	\$ 4,645	\$ 5,103	\$ 5,537	\$ 5,951	\$ 6,343
Outstanding Principal	\$ 3,000	\$ 2,850	\$ 2,708	\$ 2,572	\$ 2,444	\$ 2,321	\$ 2,205	\$ 2,095	\$ 1,990	\$ 1,891	\$ 1,796	\$ 1,706	\$ 1,621

	Year 2											
	30	60	90	120	150	180	210	240	270	300	330	360
Monthly Payment	\$ 81	\$ 77	\$ 73	\$ 69	\$ 66	\$ 63	\$ 60	\$ 57	\$ 54	\$ 51	\$ 49	\$ 46
Interest (Monthly Rate on Monthly Balance)	\$ 49	\$ 46	\$ 44	\$ 42	\$ 40	\$ 38	\$ 36	\$ 34	\$ 32	\$ 31	\$ 29	\$ 28
Fees	\$ 373	\$ 354	\$ 336	\$ 320	\$ 304	\$ 289	\$ 274	\$ 260	\$ 247	\$ 235	\$ 223	\$ 212
Total Payment	\$ 6,716	\$ 7,070	\$ 7,407	\$ 7,726	\$ 8,030	\$ 8,318	\$ 8,593	\$ 8,853	\$ 9,100	\$ 9,335	\$ 9,558	\$ 9,771
Cumulative Payments	\$ 1,540	\$ 1,463	\$ 1,390	\$ 1,320	\$ 1,264	\$ 1,192	\$ 1,132	\$ 1,075	\$ 1,022	\$ 971	\$ 922	\$ 876

	Year 3											
	30	60	90	120	150	180	210	240	270	300	330	360
Monthly Payment	\$ 44	\$ 42	\$ 40	\$ 38	\$ 36	\$ 34	\$ 32	\$ 31	\$ 29	\$ 28	\$ 26	\$ 25
Interest (Monthly Rate on Monthly Balance)	\$ 26	\$ 25	\$ 24	\$ 23	\$ 21	\$ 20	\$ 19	\$ 18	\$ 17	\$ 17	\$ 16	\$ 15
Fees	\$ 131	\$ 125	\$ 119	\$ 113	\$ 107	\$ 102	\$ 97	\$ 92	\$ 87	\$ 83	\$ 79	\$ 75
Total Payment	\$ 201	\$ 191	\$ 182	\$ 173	\$ 164	\$ 156	\$ 148	\$ 141	\$ 134	\$ 127	\$ 121	\$ 115
Cumulative Payments	\$ 9,572	\$ 10,163	\$ 10,345	\$ 10,518	\$ 10,682	\$ 10,838	\$ 10,986	\$ 11,127	\$ 11,260	\$ 11,387	\$ 11,508	\$ 11,623
Outstanding Principal	\$ 832	\$ 791	\$ 751	\$ 713	\$ 678	\$ 644	\$ 612	\$ 581	\$ 552	\$ 524	\$ 498	\$ 473

	Year 4											
	30	60	90	120	150	180	210	240	270	300	330	360
Monthly Payment	\$ 24	\$ 22	\$ 21	\$ 20	\$ 19	\$ 18	\$ 17	\$ 17	\$ 16	\$ 15	\$ 14	\$ 13
Interest (Monthly Rate on Monthly Balance)	\$ 14	\$ 13	\$ 13	\$ 12	\$ 12	\$ 11	\$ 10	\$ 10	\$ 9	\$ 9	\$ 9	\$ 8
Fees	\$ 71	\$ 67	\$ 64	\$ 61	\$ 58	\$ 55	\$ 52	\$ 50	\$ 47	\$ 45	\$ 43	\$ 40
Total Payment	\$ 109	\$ 103	\$ 98	\$ 93	\$ 89	\$ 84	\$ 80	\$ 76	\$ 72	\$ 69	\$ 65	\$ 62
Cumulative Payments	\$ 11,732	\$ 11,835	\$ 11,933	\$ 12,027	\$ 12,115	\$ 12,199	\$ 12,279	\$ 12,355	\$ 12,428	\$ 12,496	\$ 12,562	\$ 12,623
Outstanding Principal	\$ 450	\$ 427	\$ 406	\$ 388	\$ 366	\$ 348	\$ 331	\$ 314	\$ 298	\$ 283	\$ 269	\$ 256

	Year 5											
	30	60	90	120	150	180	210	240	270	300	330	360
Monthly Payment	\$ 13	\$ 12	\$ 12	\$ 11	\$ 10	\$ 10	\$ 9	\$ 9	\$ 8	\$ 8	\$ 8	\$ 7
Interest (Monthly Rate on Monthly Balance)	\$ 8	\$ 7	\$ 7	\$ 7	\$ 6	\$ 6	\$ 6	\$ 5	\$ 5	\$ 5	\$ 5	\$ 4
Fees	\$ 38	\$ 36	\$ 35	\$ 33	\$ 31	\$ 30	\$ 28	\$ 27	\$ 25	\$ 24	\$ 23	\$ 22
Total Payment	\$ 59	\$ 56	\$ 53	\$ 50	\$ 48	\$ 46	\$ 43	\$ 41	\$ 39	\$ 37	\$ 35	\$ 33
Cumulative Payments	\$ 12,682	\$ 12,738	\$ 12,791	\$ 12,842	\$ 12,890	\$ 12,935	\$ 12,978	\$ 13,019	\$ 13,058	\$ 13,096	\$ 13,131	\$ 13,164
Outstanding Principal	\$ 243	\$ 231	\$ 219	\$ 208	\$ 198	\$ 188	\$ 179	\$ 170	\$ 161	\$ 153	\$ 145	\$ 138

	After Year 1	After Year 2	After Year 3	After Year 4	After Year 5
Assuming a 5% Monthly Principal Reduction	46%	71%	84%	81%	95%
Percent of Principal Paid					
Cumulative Payments	\$ 6,343	\$ 9,771	\$ 11,623	\$ 12,623	\$ 13,164
Interest Paid	\$ 827	\$ 1,274	\$ 1,516	\$ 1,647	\$ 1,717
Fees Paid	\$ 4,137	\$ 6,372	\$ 7,560	\$ 8,233	\$ 8,585
Total Fees Paid	\$ 4,964	\$ 7,647	\$ 9,096	\$ 9,879	\$ 10,302
Remaining Principal	\$ 1,621	\$ 876	\$ 473	\$ 256	\$ 138



HOUSE OF REPRESENTATIVES

HCR 2034

financial literacy month

Sponsors: Representatives Brophy McGee: Barton, Carter, et al.

X Committee on Banking and Financial Services

Caucus and COW

House Engrossed

OVERVIEW

HCR 2034 proclaims April 2015 as Financial Literacy Month.

HISTORY

In March 2004, the United States (U.S.) Senate passed S.R. 316, which officially recognized April 2004 as National Financial Literacy Month to raise public awareness about the importance of financial education in the U.S. and the serious consequences that may be associated with a lack of understanding about personal finances. Both Houses of Congress have continued to pass similar resolutions each year since recognizing the month. In March 2011, President Obama issued a proclamation proclaiming April 2011 as National Financial Literacy Month.

Additionally, 18 states have enacted legislation or adopted resolutions regarding financial literacy. Most recently, in April 2014, Pennsylvania adopted H.R. 756, which recognized April 2014 as "Financial Literacy Month". In July 2014, California adopted S.C.R. 105, which declared April 2014 as "Financial Aid and Literacy Month".

PROVISIONS

1. Designates April 2015 as Financial Literacy Month.
2. Supports increased awareness of personal financial education.
3. Calls on all localities, schools, nonprofit organizations, businesses and residents of the Arizona to observe Financial Literacy Month with appropriate programs and activities.
4. Supports the Office of the State Treasurer in its efforts and resources to increase awareness of financial literacy.

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-second Legislature - First Regular Session

ROLL CALL VOTE

COMMITTEE ON BANKING AND FINANCIAL SERVICES BILL NO. HCR 2034

DATE February 10, 2015 MOTION: *lf*

	PASS	AYE	NAY	PRESENT	ABSENT
Mr. Allen J		✓			
Mr. Espinoza		✓			
Mr. Farnsworth E		✓			
Mrs. Gabaldón		✓			
Ms. McCune Davis		✓			
Mrs. Norgaard		✓			
Mr. Weninger, Vice-Chairman		✓			
Mrs. Brophy McGee, Chairman		✓			
		8	0	0	0

APPROVED: *[Signature]*
 KATE BROPHY MCGEE, Chairman
 JEFF WENINGER, Vice-Chairman

[Signature]
 COMMITTEE SECRETARY

ATTACHMENT 8