

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1127

2005 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1127

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1127

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-11-05

Tape Number
1

Side A
x

Side B

Meter #
31.8-end

Committee Clerk Signature



Minutes:

Chairman Keiser: Opened the hearing on HB 1127. All committee members were present.

Robert Entringer, Assistant Commissioner, Department of Financial Institutions: Appeared in support of HB 1127 and provided written testimony. (SEE ATTACHED TESTIMONY).

Representative Ekstrom: How many do we have licensed now in the state?

Bob Entringer: Currently there are 63 license in the state, that is the total number, they do not have branches.

Representative Ekstrom: What is the average loan balance per outlet?

Bob Entringer: I don't know exactly on a national basis, I believe the average right now is \$300.00, and approximately \$30,000.00 they are holding in receivable. Consumer complaints are numbered at 20 total, and most of those are unlicensed, out of state Internet payday lenders.

Representative Nottestad: Does your office monitor Internet payday loans as in the numbers that are reaching into the state?

Bob Entringer: I don't know the numbers it fairly prolific.

Representative Nottestad: Do you go back and see if they are registered in other states? And is there anything your department can do to inform the public about this type of thing that is going on?

Bob Entringer: Yes, we do, the best thing we are doing is working with consumer advocate groups in trying to do some financial literacy education with those groups and informing them.

Chairman Keiser: There appears to be a demand for payday loans, is it better that we have it licensed and regulated within our state, or that we eliminate the payday loan business and let these people go on the Internet to obtain that service?

Bob Entringer: It's absolutely better that we have them licensed, because if they do go out on the Internet, they can be a scam, and its difficult to get a hold of these companies.

No opposition.

Representative Thorpe: Made a motion for a **DO PASS** on HB 1127.

Representative Dosch: **SECOND** the motion.

Motion carried. VOTE: 14-YES 0-NO 0-Absent.

Representative Vigesaa: Will carry the bill to the floor.

Meeting adjourned.

FISCAL NOTE
Requested by Legislative Council
01/03/2005

Bill/Resolution No.: HB 1127

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		\$0		\$8,000		\$8,000
Expenditures		\$0		\$0		\$0
Appropriations		\$0		\$0		\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

This Bill would not have any fiscal impact on the general fund and would cause very little impact on the Department of Financial Institutions regulatory fund 242.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

A small amount of revenue will be retained as a result of the Department no longer refunding the annual fee submitted when a license renewal application which is denied. The Department estimates ten renewals denied per fiscal year at \$300.00 for a total of \$6,000.00 per biennium. The branch fee for money brokers will amount to \$2,000.00 per biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

No expenditures will be incurred.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Joan M Becker
Phone Number: 328-9958

Agency: Dept of Financial Inst
Date Prepared: 01/05/2005

Date: 1-11-05

Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1127

House

INDUSTRY, BUSINESS AND LABOR

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Rep. Thorpe

Seconded By

Rep. Dosch

Representatives	Yes	No	Representatives	Yes	No
G. Keiser-Chairman	X		Rep. B. Amerman	X	
N. Johnson-Vice Chairman	X		Rep. T. Boe	X	
Rep. D. Clark	X		Rep. M. Ekstrom	X	
Rep. D. Dietrich	X		Rep. E. Thorpe	X	
Rep. M. Dosch	X				
Rep. G. Froseth	X				
Rep. J. Kasper	X				
Rep. D. Nottestad	X				
Rep. D. Ruby	X				
Rep. D. Vigasaa	X				

Total (Yes)

14

No

0

Absent

0

Floor Assignment

Rep. Vigasaa

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 11, 2005 11:00 a.m.

Module No: HR-06-0254
Carrier: Vigesaa
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1127: Industry, Business and Labor Committee (Rep. Kelser, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1127 was placed on the Eleventh order on the calendar.

2005 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1127

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1127

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 3-16-05

Tape Number	Side A	Side B	Meter #
1	xxx		1580

Committee Clerk Signature *Lisa Van Beshorn*

Minutes: **Chairman Mutch** opened the hearing on HB 1127. All Senators were present.

HB 1127 relates to consumer finance, money broker and collection agency licensee requirements and fees, and deferred presentment service provider license requirements, fees, and renewal applications.

Bob Entringer, Department of Financial Institutions, introduced the bill. See written testimony.

Senator Krebsbach: You mentioned eight-hundred and some licenses that you issue, can you give us a break down of how many of them are money-brokers, or pay day lenders, etc. ?

Bob: There are approximately 320 collection agencies, about 350 money-brokers, 13 sale of checks, 66 pay day lenders and 35 consumer finance companies.

There were no further questions.

There was no other testimony.

Senator Espegard moved a DO PASS. **Senator Klein** seconded.

Roll Call Vote: 7 yes. 0 no. 0 absent. **Carrier: Senator Espegard**

Date: 3-16-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1127

Senate Industry, Business, and Labor

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Espegard

Seconded By

Klein

Senators
Chairman Mutch
Senator Klein
Senator Krebsbach
Senator Espegard
Senator Nething

Yes No
X
X
X
X
X

Senators
Senator Fairfield
Senator Heitkamp

Yes No
X
X

Total (Yes)

7

No

0

Absent

0

Floor Assignment

Espegard

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 18, 2005 9:00 a.m.

Module No: SR-50-5386
Carrier: Espegard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1127: Industry, Business and Labor Committee (Sen. Espegard, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1127
was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1127

1-11-2005

TESTIMONY FOR HOUSE BILL NO. 1127

House Industry, Business, and Labor Committee

Testimony of Robert J. Entringer, Assistant Commissioner, Department of Financial Institutions in support of House Bill No. 1127.

Chairman Keiser and members of the House Industry, Business, and Labor Committee, I am Bob Entringer, Assistant Commissioner of the Department of Financial Institutions. I am here to urge your support of House Bill No. 1127.

REGISTRATION WITH THE SECRETARY OF STATE

The first item being amended is the requirement for our consumer licensees to register with the Secretary of State. We currently check to see if an applicant company is registered with the Secretary of State; however, the statute does not specifically require it. In checking with the Secretary of State's office there are instances whereby a business may not need to register with the Secretary of State; however, it is not envisioned we would encounter such a situation. In most circumstances registration is required and a license would not be issued until proper registration is completed.

NET WORTH

Currently our consumer finance company and deferred presentment service provider licenses require the applicant to have either "assets" or "unencumbered

assets" of at least twenty-five thousand dollars. The Department has interpreted that to mean net worth or equity of twenty-five thousand dollars. The goal here is to clarify what exactly is intended in the legislation.

RENEWAL FEES

At the present time when our Consumer Investigator/Examiners review applications for renewal of a license application and they recommend denial of a license renewal, we refund the fee. Denial of an application for license renewal must be made on the same grounds as would justify denial of the initial application. However, at the time of the initial application we receive an investigation fee which is not subject to refund due to the costs involved in the background investigation and review of the application. Much of the same work is conducted when reviewing the renewal application such as reviewing the financial information, determining financial responsibility, reviewing complaint history etc. As a result of the work involved in reviewing the renewal application we are proposing to keep the renewal fees by making them non-refundable. The Fiscal Note attached to this bill includes \$6,000 for the biennium based on our experience of denials in 2004 or 10 denials per year at \$300 for the renewal application fee.

UNIFORMITY OF APPLICATIONS

The proposed amendments in page 2, Section 2, line 4; and page 5, Section 10, line 31 are intended to make all the consumer renewal applications due on the

same date, June 1st of each year. This gives the Department sufficient time to review the applications and get the information entered on our database. Typically we send out the renewal information well ahead of the June 1 deadline in fact we now send the information out in February due to the volume of licenses which must be reviewed.

The next amendment on page 5, Section 10, line 28 makes the deferred presentment service provider license expire on June 30th versus July 1; all of our other licenses run from July 1 through June 30.

Also beginning on page 5, Section 10, line 31 continuing on page 6 lines 1 through 4 define the content of a renewal application is determined by the department and clarify the terms of denial must be based on the same criteria as would denial of an initial license. The amendment also sets a forth a fee for late filing of a renewal application. Again these amendments use the same language as is found in our other consumer licenses.

SECTION 11

The amendment on page 6 lines 9 and 10 clarifies the department's position that a renewal fee is subject to the same conditions as final payment of the transaction. That is, as you can see in lines 13 and 14, that the check must be paid off in cash, money order, or certified check. This amendment clarifies that position. In addition, on line 13 we are changing the certified check to a cashiers

check since the term cashiers check is defined in statute and in fact the use of certified checks is nearly obsolete.

MONEY BROKER BRANCH FEE

Finally, the amendment on page 3, Section 5, lines 14 and 15 propose a fee for a branch location within the state. Currently our Collection Agency statute requires a branch fee for additional North Dakota locations and here again we are attempting to make the statutes uniform by requiring the branch fee for North Dakota money broker branch offices. The Fiscal Note attached to this bill includes revenue of \$2,000 for the biennium based on 20 branches at 50 per year.

Chairman Keiser and members of the Committee, I would urge your favorable consideration of House Bill No. 1127, and I would be happy to answer any questions you may have.

Thank you.

3-16-2005

TESTIMONY FOR HOUSE BILL NO. 1127

Senate Industry, Business, and Labor Committee

Testimony of Robert J. Entringer, Assistant Commissioner, Department of Financial Institutions in support of House Bill No. 1127.

Chairman Mutch and members of the Senate Industry, Business, and Labor Committee, I am Bob Entringer, Assistant Commissioner of the Department of Financial Institutions. I am here to urge your support of House Bill No. 1127.

Mr. Chairman and members of the Committee because many of the changes in this bill are the same throughout the bill I will discuss them under the general headings.

REGISTRATION WITH THE SECRETARY OF STATE

The first item being amended is the requirement for our consumer licensees to register with the Secretary of State. We currently check to see if an applicant company is registered with the Secretary of State; however, the statute does not specifically require it. In checking with the Secretary of State's office there are instances whereby a business may not need to register with the Secretary of State; however, it is not envisioned we would encounter such a situation. In most circumstances registration is required and a license would not be issued until proper registration is completed.

NET WORTH

Currently our consumer finance company and deferred presentment service provider licenses require the applicant to have either "assets" or "unencumbered assets" of at least twenty-five thousand dollars. The Department has interpreted that to mean net worth or equity of twenty-five thousand dollars. The goal here is to clarify what exactly is intended in the legislation.

RENEWAL FEES

At the present time when our Consumer Investigator/Examiners review applications for renewal of a license application and they recommend denial of a license renewal, we refund the fee. Denial of an application for license renewal must be made on the same grounds as would justify denial of the initial application. However, at the time of the initial application we receive an investigation fee which is not subject to refund due to the costs involved in the background investigation and review of the application. Much of the same work is conducted when reviewing the renewal application such as reviewing the financial information, determining financial responsibility, reviewing complaint history etc. As a result of the work involved in reviewing the renewal application we are proposing to keep the renewal fees by making them non-refundable. The Fiscal Note attached to this bill includes \$6,000 for the biennium based on our experience of denials in 2004 or 10 denials per year at \$300 for the renewal application fee.

UNIFORMITY OF APPLICATIONS

The proposed amendments in page 2, Section 2, line 4; and page 5, Section 10, line 31 are intended to make all the consumer renewal applications due on the same date, June 1st of each year. This gives the Department sufficient time to review the applications and get the information entered on our database. Typically we send out the renewal information well ahead of the June 1 deadline in fact we now send the information out in February due to the volume of licenses which must be reviewed.

The next amendment on page 5, Section 10, line 28 makes the deferred presentment service provider license expire on June 30th versus July 1; all of our other licenses run from July 1 through June 30.

Also beginning on page 5, Section 10, line 31 continuing on page 6 lines 1 through 4 define the content of a renewal application is determined by the department and clarify the terms of denial must be based on the same criteria as would denial of an initial license. The amendment also sets forth a fee for late filing of a renewal application. Again these amendments use the same language as is found in our other consumer licenses.

SECTION 11

The amendment on page 6 lines 9 and 10 clarifies the department's position that a renewal fee is subject to the same conditions as final payment of the

transaction. That is, as you can see in lines 13 and 14, that the check must be paid off in cash, money order, or certified check. This amendment clarifies that position. In addition, on line 13 we are changing the certified check to a cashiers check since the term cashiers check is defined in statute and in fact the use of certified checks is nearly obsolete.

MONEY BROKER BRANCH FEE

Finally, the amendment on page 3, Section 5, lines 14 and 15 propose a fee for a branch location within the state. Currently our Collection Agency statute requires a branch fee for additional North Dakota locations and here again we are attempting to make the statutes uniform by requiring the branch fee for North Dakota money broker branch offices. The Fiscal Note attached to this bill includes revenue of \$2,000 for the biennium based on 20 branches at 50 per year.

Chairman Mutch and members of the Committee, I would urge your favorable consideration of House Bill No. 1127, and I would be happy to answer any questions you may have.

Thank you.