State Corporation Commission
2025 General Assembly Session
State Fiscal Impact Statement

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Bill Number: SB1252 **Patron:** Bagby
Bill Title: Financial institutions; loans and legal rate of interest.

Bill Summary: Provides that for the purposes of provisions governing usury and the legal rate of interest, (i) "loan" means a loan or forbearance of money lent at interest or for a fee or other charge and includes open-end and closed-end loan transactions and recourse and nonrecourse loans and (ii) make" or "making" when used in reference to a loan, means advancing, offering to advance, or making a commitment to advance funds to a borrower for a loan.

The bill provides that the prohibition against a contract for the payment of interest on a loan at a rate that exceeds 12 percent per year applies to any person who seeks to evade its application by any device, subterfuge, or pretense whatsoever, including (a) making loans disguised as personal property sale and leaseback transactions; (b) disguising loan proceeds as a cash rebate for the pretextual installment sale of goods or services; and (c) making, offering, assisting, or arranging a debtor to obtain a loan with a greater rate of interest, consideration, or charge than permitted through any method, including mail, telephone, Internet, or any electronic means, regardless of whether the person has a physical location in the state.

Finally, the bill provides that for any contract entered into on or after July 1, 2025, pursuant to which a person receives a cash advance for an amount that is based on the wages, compensation, or other income that an individual has earned but that has not been paid to the individual, and for which repayment to the cash advance provider will be made by some automatic means, at the end of the pay cycle is considered a loan and any additional funds such person is obligated to pay under the terms of the contract are considered interest. The bill specifies that such a contract is subject to the 12 percent per year maximum.

Budget Amendment Necessary: No. **Items Impacted:** None.
Explanation: Not applicable.

Fiscal Summary: There is no anticipated fiscal impact on the State Corporation Commission's Bureau of Financial Institutions as a result of this bill.

General Fund Expenditure Impact: None.

Nongeneral Fund Expenditure Impact: None.

Position Impact: None.

Fiscal Analysis: The bill does not appear to place any additional responsibilities on the State Corporation Commission's Bureau of Financial Institutions.

Other: None.