

Individual State Agency Fiscal Note

Bill Number: 1874 HB	Title: Predatory loans	Agency: 102-Department of Financial Institutions
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Financial Services Regulation Account-Non-Appropriated 300-6		355,254	355,254	634,396	634,396
Total \$		355,254	355,254	634,396	634,396

Estimated Operating Expenditures from:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	3.5	1.8	4.6	4.6
Financial Services Regulation Account-Non-Appropriated 300-6	0	428,281	428,281	1,220,258	1,220,258
Total \$	0	428,281	428,281	1,220,258	1,220,258

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

This bill revises Chapter 31.04 RCW, the Consumer Loan Act (CLA). Section 2 amends the definition of “loan.” Section 3 adds anti-evasion provisions to clarify that a person may not engage in subterfuge to evade compliance with the CLA requirements. Section 3 also sets forth other considerations in determining whether a person making a loan is a lender that is subject to the CLA. Section 4 adds a new section which makes it a violation of the CLA for any person to engage in any subterfuge or pretense to evade the requirements of the CLA. Section 5 is amended to state that any non-mortgage consumer loans made by an unlicensed person are unenforceable.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The Department of Financial Institutions (DFI) estimates that approximately 80 currently unlicensed lenders will need to become licensed under the Consumer Loan Act (CLA) under the proposed amendments. DFI anticipates newer consumer credit products or services to require licensure based on the proposed amendment to the definition of “loan.” This includes products or services offered by online fintech loan companies, such as loans involving future income.

DFI expects to collect about \$84,976.80 ($\1062.21×80) in initial licensing fees during FY25 from the estimated 80 companies.

Licensees under the CLA pay an assessment fee based on their volume of business in the previous year. DFI estimates the following revenue under the assumption that applicants will pay an assessment of \$3,378.47 each year (average assessment for existing consumer lenders in CY 2022). The first annual assessment fees will be due in early CY 2025 for business conducted in CY 2024. DFI expects to collect \$270,277.60 ($\$3,378.47 \times 80$) during FY25 and ongoing.

In addition, each licensee under the CLA is subject to examination. Exam costs will be billed at \$69 per hour and each initial exam will likely require 17 hours. New licensees are examined within the first 12-24 months of licensure. DFI expects to examine 40 licensees in FY26 and each year following, resulting in \$46,920 per year ($\$69 \times 17 \times 40$).

For purposes of this fiscal note, investigative fees are not included as they are indeterminate.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

DFI will collect financial, criminal background information, and other identifying information for review of suitability for licensure.

DFI will have authority to examine and investigate each licensee.

DFI will receive, investigate, and resolve complaints.

DFI will have enforcement authority.

The costs of conducting these activities are represented by the FTE estimates below:

Program FTEs in FY25:

FTE	Position	Functional Area
0.1	Management Analyst 5	Licensing
0.2	Management Analyst 3	Licensing
1.0	Management Analyst 3	Exams
0.5	Financial Examiner 3	Exams
0.5	Financial Examiner Supv.	Exams
0.2	Program Specialist 2	Enforcement
0.3	Fin. Legal Examiner 3	Enforcement
0.2	Fin. Legal Examiner Supv.	Enforcement
3.0	Total Program FTEs	

Program FTEs in FY26 and beyond:

FTE	Position	Functional Area
1.0	Management Analyst 3	Exams
2.0	Financial Examiner 3	Exams
0.5	Financial Examiner Supv.	Exams
0.2	Program Specialist 2	Enforcement
0.2	Fin. Legal Examiner 3	Enforcement
0.1	Fin. Legal Examiner Supv.	Enforcement
4.0	Total Program FTEs	

Administrative overhead is calculated at 15% of program FTEs using a Program Specialist 4 as a representative position, which comes to \$44,076 in FY25 and \$62,856 FY26 and beyond.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
300-6	Financial Services Regulation Account	Non-Appropriated	0	428,281	428,281	1,220,258	1,220,258
Total \$			0	428,281	428,281	1,220,258	1,220,258

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.5	1.8	4.6	4.6
A-Salaries and Wages		281,900	281,900	759,330	759,330
B-Employee Benefits		90,048	90,048	264,022	264,022
C-Professional Service Contracts					
E-Goods and Other Services		31,033	31,033	83,506	83,506
G-Travel		13,300	13,300	101,400	101,400
J-Capital Outlays		12,000	12,000	12,000	12,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	428,281	428,281	1,220,258	1,220,258

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Financial Examiner 3	95,606		0.5	0.3	2.0	2.0
Financial Examiner Supervisor	122,232		0.5	0.3	0.5	0.5
Financial Legal Examiner 3	91,068		0.3	0.2	0.2	0.2
Financial Legal Examiner Supervisor	122,232		0.2	0.1	0.1	0.1
Management Analyst 3	64,445		1.2	0.6	1.0	1.0
Management Analyst 5	82,515		0.1	0.1		
Program Specialist 2	47,994		0.2	0.1	0.2	0.2
Program Specialist 4	67,720		0.5	0.3	0.6	0.6
Total FTEs			3.5	1.8	4.6	4.6

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

IV. D - Capital FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 3 - The proposed legislation grants the Department the authority to adopt rules as necessary to implement the provisions of the act. Rulemaking costs will be absorbed.