

## Compliance Newsletter

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Disclaimer: Does not contain information for all legislation that may affect a provider of Credit Protection products. You should review each bill in its entirety to determine the impact and what actions are needed, if any, to comply with state requirements.

## Credit Insurance

### NEW ITEMS:

#### Georgia:

##### **SB 482 – Amendments to the California Financing Law.**

The regulation of consumer finance company small installment loans and lenders (up to \$3k) is being transferred from the Commissioner of Insurance (Industrial Loan Act) to the Department of Banking and Finance (Georgia Installment Loan Act) on July 1, 2020. The Commissioner of Insurance will regulate all insurance offered in connection with these loans. The Department of Banking and Commissioner of Insurance are proposing rules to implement this change, which rules mirror the current rules under the Industrial Loan Act.

**Effective Date:** July 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### South Carolina:

##### **Insurance Department Order 2019-06 – 2020 Credit Property Insurance Rates**

On September 13, 2019, the Department promulgated new credit property rates for consumer credit transactions subject to 1966 S.C. Act No. 988, Consumer Finance Law. The Department has ordered a decrease in the Automobile, Fire and Theft – Single Interest rate; the Automobile Collision – Single Interest rate; and the Household Goods – Dual Interest rate.

**Effective Date:** January 1, 2020

**Licensing Impact:** No changes necessary.

**Product/Program Impact:** No changes anticipated.

**Consumer Contract Impact:** No changes necessary.

**Rate Impact:** Rate decrease Automobile, Fire and Theft – Single Interest; the Automobile Collision – Single Interest; and the Household Goods – Dual Interest programs. A Bulletin with revised rate pages will be provided to affected accounts and programming will be required.

### PREVIOUSLY REPORTED:

#### California:

##### **SB 482 – Amendments to the California Financing Law.**

Would require that ancillary products, including credit insurance, only be sold in California Financing Law lending transactions after disbursement. (Has been modified to no longer place restrictions on when ancillary products can be sold during the loan transaction.)

**Effective Date:** Upon enactment.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Potential impact to timing of sale of ancillary products.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### Hawaii:

##### **HB 79 & SB 537 – Relating to Consumer Protection.**

**Died due to end of legislative session.**

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Would impact installment loans up to \$1,000. Credit insurance premiums would not be allowed to be collected by the lender/licensee.

**Effective Date:** Proposed – January 1, 2020.

**Licensing Impact:** Credit insurance products would not be permitted to be sold.

**Product/Program Impact:** Credit insurance products would not be permitted to be sold.

**Consumer Contract Impact:** Credit insurance products would not be permitted to be sold.

**Rate Impact:** Credit insurance products would not be permitted to be sold.

#### Massachusetts:

##### **Bulletin 2019-09 – Motor Vehicle Dealers, Credit Life and Credit Accident and Health rates.**

Issues new deviated case rates for credit life and credit accident and health for policies sold through motor vehicle dealers between January 1, 2020 and December 31, 2022.

**Effective Date:** January 1, 2020.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** Potential impact to rates for motor vehicle dealers. A bulletin will be issued to any affected accounts.

#### New Hampshire:

##### **Died due to end of legislative session.**

##### **HB 1419 – Requiring banks to offer small dollar loans and credit building products.**

Would amend New Hampshire code to require banks to offer small dollar loans. Small dollar loans are those with a maximum value of \$2,500, a repayment plan of no more than 12 months, and an interest rate of no more than 26% APR.

**Effective Date:** Effective 60 days after passage.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No anticipated impact to credit insurance products. However, this proposed “all-in APR” cap may inhibit the sale of credit insurance in conjunction with these loans.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

#### New York:

##### **AB 6506 – 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.

**Effective Date:** 180 days after becoming law.

**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.

#### Ohio:

##### **Regulation Changes – Imposes limits to other transactions occurring during small loan transactions.**

Imposes restrictions as to what “other transactions” may be financed with the loan transaction.

**Effective Date:** Upon enactment.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Credit insurance products would be permitted to be sold, but may impact motor club sales.

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**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

**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. July 2020 Update: The Consumer Financial Protection Bureau issued a final rule concerning small dollar lending in order to maintain consumer access to credit and competition in the marketplace. The final rule rescinds the mandatory underwriting provisions of the 2017 rule after re-evaluating the legal and evidentiary bases for these provisions and finding them to be insufficient. The final rule does not rescind or alter the payments provisions of the 2017 rule.

**Effective Date:** July 2020 – The CFPB finalized the Rule.

**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 2883 & HR 5050 – Federal All-In APR.**

Would amend the Truth in Lending Act to extend the Military Lending Act “all-in APR” to all consumers.

**NO LONGER MONITORING:**

**Virginia:**

**HB 789 & SB 421 – Payday Loan Replacement.**

**Signed by Governor**

Would amend Virginia Code to replace payday loans with short-term loans up to \$2,500 and with a 36% interest rate cap. These bills allow for the sale of credit insurance and are not “all-in APR” bills.

**Effective Date:** January 1, 2021.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** No changes anticipated.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

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## Lender-Placed Insurance

### NEW ITEMS:

None.

### PREVIOUSLY REPORTED:

#### **New York:**

**S4629 – Credit Creation Pilot Program Act of New York.** **Passed Senate.**

Would amend the New York code to Prohibit mortgagees from requiring mortgagors of certain real property to purchase flood insurance exceeding a coverage amount that exceeds the outstanding mortgage thereon, or that includes coverage for contents.

**Effective Date:** Effective upon passage.

**Licensing Impact:** No changes anticipated.

**Product/Program Impact:** Would establish limits as to amount of insurance required.

**Consumer Contract Impact:** No changes anticipated.

**Rate Impact:** No changes anticipated.

### NO LONGER MONITORING:

None.

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## **Licensing Reminders**

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](mailto:licensing@fortegra.com) or contact Lynnette Rackley at 800-888-2738 then 8 x7267. The upcoming termination cut-off dates are as follows: OH – 6/15/2020; VA – 6/15/2020; South Carolina – 8/27/2020.

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