

Department of Financial Institutions

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DISCUSSION TOPICS

- 2019 KDFI Proposed Legislation
 - Consumer Loan Act Modernization
 - Licensing Process (Consumer Loan and Deferred Deposit Industries)

Consumer Loan Act Modernization



CONSUMER LOAN INDUSTRY IN KY

- Consumer loans up to \$15,000
 - Interest rate capped at either 36% (\$3,000 or less) or 24% (\$3,001-\$15,00)
 - Finance: cars, furniture, appliances, and other consumer needs
- 415 consumer loan licenses in Kentucky
- Physical locations in 83 counties
- Approximately \$4.6 billion in consumer loan balances outstanding in Kentucky (12/31/2017)



CONSUMER LOAN ACT

- Modernization bill
- Aligns KDFI supervisory authority with all other industries it regulates
- As of today, primary regulatory authority is license revocation (worst case scenario)
 - Puts the company out of business
 - Employees lose their jobs
 - Access to credit impacted – reduces market competition
- Extensive conversations with industry to reach consensus



CONSUMER LOAN ACT

- Industry benefits
 - Ability for KDFI to address unlicensed activity
 - Hearing rights
 - Confidentiality of reports
 - Change in control
 - Access to funding for licensee
 - Added flexibility for licensee
 - Recordkeeping requirements

CONSUMER LOAN ACT

- Regulatory tools
 - Bonding requirements
 - Orders
 - Restitution
 - Fines and penalties
 - Prohibits unfair and deceptive acts and practices
 - Use of Nationwide Multistate Licensing System & Registry (NMLS) for licensing

Licensing Process



NMLS LICENSING SYSTEM

- Nation-wide Multi-state Licensing System
- System is owned/operated by the states
- All KY mortgage and money transmitter licensees currently use NMLS
- Provides consistent licensing and registration process for all nondepository industries:
 - Consumer Loan Act Modernization bill will address consumer loan licensees
 - Separate bill to address Deferred Deposit



LICENSING SYSTEM

- Bill establishes a uniform procedure for electronic licensing (data collection and payment method)
- Industry benefits of using system
 - One Stop
 - Multi-state registration
 - Online applications
 - Electronic Surety Bond
 - Payment processing
 - Online billing/invoicing (eliminates paper)
 - Efficiency and accuracy



LICENSING SYSTEM

- Department benefits of using system
 - System collects data and payment, but the decision remains with the KDFI
 - Promotes consistency
 - Allows employees to manage/focus on risk instead of paperwork
 - Effectively and efficiently process increased volume of applications/renewals