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FISCAL IMPACT REPORT

SPONSOR Anderson DATE TYPED 02/11/05 HB 378/aHCPAC

SHORT TITLE Clarify Misleading Extensions of Credit SB _____

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General (AGO)

SUMMARY

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee amendments correct a typo by replacing references to “blank check” with “bank check.” The amendments also replace the requirement that the word “loan” be printed in contrasting colors on the front of the check with a requirement that the word be printed in “legible letters, at least five times larger than the next smaller letters printed on the check, prominently displayed.”

Synopsis of Original Bill

House Bill 378 enacts a new section of the Unfair Practices Act to provide that extending pre-approved credit with a blank check without adequate notification that it is a loan constitutes a misleading extension of credit. The bill further provides that a clear and prominent notice, including an explanation of interest due and other terms of the credit, accompanying an extension of pre-approved credit is not a misleading extension of credit. Finally, House Bill 378 provides that “adequate notification” means the printing of the word “loan” in large, contrasting color letters on the front of the blank check instrument.

Significant Issues

The AGO notes that this bill may be challenged as conflicting with federal law. The AGO further notes that current protections afforded under the false advertising statutes and the Unfair Practices Act may cover this practice.

TECHNICAL ISSUES

The bill requires the word “loan” to be printed in large letters on the front of a blank check instrument. However, the word “large” is subject to interpretation. An amendment to specify the minimum font size of the letters may be helpful.

EF/lg