

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1658
Committee Substitute Favorable 5/16/07

Short Title: Unbanked and Underbanked Study.

(Public)

Sponsors:

Referred to:

April 19, 2007

A BILL TO BE ENTITLED

1 AN ACT TO CREATE THE UNBANKED AND UNDERBANKED CONSUMERS
2 STUDY COMMISSION.
3

4 Whereas, there is a substantial population of North Carolina consumers that
5 do not have access to traditional sources of consumer credit or financial services; and

6 Whereas, consumers that do not have or maintain traditional bank accounts
7 are considered "unbanked"; and

8 Whereas, consumers that have impaired or inadequate credit files are
9 considered financially "underbanked"; and

10 Whereas, estimates indicate that as many as three million North Carolina
11 consumers are considered to be unbanked or underbanked; and

12 Whereas, this constitutes approximately one out of every three adult North
13 Carolinians; and

14 Whereas, financial products and financial companies serving these
15 consumers, and laws governing both those transactions and the practices of those
16 companies, have evolved substantially in the last 10 years; and

17 Whereas, the economic development potential of North Carolina and its
18 communities is limited by the large number of unbanked and underbanked consumers;
19 and

20 Whereas, the access to traditional installment credit, secured and unsecured,
21 as well as mainstream financial services is a key enabler to wealth for all North
22 Carolinians; and

23 Whereas, the General Assembly has not had a comprehensive review of the
24 State's various lending laws and whether they foster availability of responsible personal
25 installment lending, utilize sources of financial education, or leverage the favorable
26 changes that have occurred in the national marketplace in products, business practices,
27 credit information, and operations technology; Now, therefore,

28 The General Assembly of North Carolina enacts:

1 **SECTION 1.** Commission Created. – The Unbanked and Underbanked
2 Consumers Study Commission is created.

3 **SECTION 2.(a)** Membership. – The Commission shall consist of 14
4 members appointed as follows:

- 5 (1) Five members of the House of Representatives appointed by the
6 Speaker of the House.
- 7 (2) Five members of the Senate appointed by the President Pro Tempore
8 of the Senate.
- 9 (3) One member associated with a consumer advocacy corporation
10 specializing in unsecured credit issues appointed by the Speaker of the
11 House.
- 12 (4) One member associated with a consumer advocacy organization
13 specializing in real estate secured credit issue appointed by the
14 President Pro Tempore of the Senate.
- 15 (5) One member associated with a State chartered credit corporation
16 specializing in unsecured credit appointed by the Speaker of the
17 House.
- 18 (6) One member associated with a State chartered credit corporation
19 specializing in real estate secured credit appointed by the President Pro
20 Tempore of the Senate.

21 **SECTION 2.(b)** Vacancies. – A vacancy in the Commission or as chair of
22 the Commission resulting from the resignation of a member or otherwise shall be filled
23 in the same manner in which the original appointment was made.

24 **SECTION 3.** Duties of Commission. – The Unbanked and Underbanked
25 Consumers Study Commission shall study the following matters related to access to
26 credit by consumers who are considered unbanked or underbanked:

- 27 (1) The respective academic and economic studies, consumer protection
28 laws, and corporate best practices for consumer installment finance
29 and other short-term lending products developed over the last 10 years
30 in this State, neighboring states, and across the country.
- 31 (2) The potential business models and regulatory economic incentives that
32 could serve to transition and graduate consumers from sub-prime to
33 prime credit scores resulting in increased chances that consumers
34 might accumulate wealth.
- 35 (3) Whether lending processes are understandable, fair, and efficient and
36 what would constitute optimum disclosures to consumers so that
37 consumers can understand and make reasoned decisions with regards
38 to the products being offered.
- 39 (4) The economic impact of raising credit scores and requiring wider
40 reporting and creditor consideration of payments for alternative
41 credit-like accounts, including rent and utilities to major credit
42 bureaus.

1 (5) The impact and availability of financial education or incentives to raise
2 personal financial literacy, and personal credit and financial counseling
3 by companies providing customer financial services.

4 (6) Whether regulation of financial services is best done on the basis of
5 lender principles and practices or by price, how risk versus reward is
6 determined, whether proper products will be available for consumer
7 needs without economic reward for risk and service cost, and what
8 products or services are not available, and does the lack of these
9 products and services disadvantage consumers.

10 **SECTION 4.** Report. – The Commission may make an interim report to the
11 2008 Regular Session of the 2007 General Assembly. Prior to the convening of the
12 2009 General Assembly, the Commission shall submit a final report of its findings and
13 recommendations, including legislative and funding recommendations, to the 2009
14 General Assembly. The Commission shall terminate upon filing its final report.

15 **SECTION 5.** Expenses of Members. – Members of the Commission shall
16 receive per diem, subsistence, and travel allowances in accordance with G.S. 120-3.1,
17 138-5, or 138-6, as appropriate.

18 **SECTION 6.** Chair; Meetings. – The President Pro Tempore of the Senate
19 and the Speaker of the House of Representatives shall each designate one member to
20 serve as cochair of the Commission. The cochairs shall call the initial meeting of the
21 Commission. The Commission shall subsequently meet upon such notice and in such
22 manner as its members determine. A majority of the members of the Commission shall
23 constitute a quorum. The Commission may meet in the Legislative Building or the
24 Legislative Office Building upon the approval of the Legislative Services Commission.

25 **SECTION 7.** Staff. – Upon the prior approval of the Legislative Services
26 Commission, the Legislative Services Officer may assign professional and clerical staff
27 and other services and supplies, as needed for the Commission to carry out its duties in
28 an effective manner.

29 **SECTION 8.** Of the funds appropriated to the General Assembly, the
30 Legislative Services Commission shall allocate funds for the expenses of the
31 Commission established by this act.

32 **SECTION 9.** This act becomes effective July 1, 2007.