

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 959 (Delegate Valderrama)
 Economic Matters

Banking Institutions - Dishonored Checks - Fees

This bill prohibits a State-chartered banking institution from charging a fee to a customer for an overdraft on the customer’s checking account under specified circumstances. The overdraft must result from the customer’s reasonable reliance on a representation made by the banking institution’s employee or agent that the customer has overdraft protection through a line of credit or other account with the banking institution.

Fiscal Summary

State Effect: General fund expenditures could increase by approximately \$51,700 in FY 2008 to process and investigate complaints. Out-years reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	51,700	63,800	67,000	72,400	74,100
Net Effect	(\$51,700)	(\$63,800)	(\$67,000)	(\$72,400)	(\$74,100)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The amount, if any, a banking institution may charge a customer in the event of an overdraft is not specifically regulated.

State Expenditures: The Commissioner of Financial Regulation estimates that approximately 30% of Maryland residents have accounts with State-chartered banks, meaning that a large number of complaints could be filed with the commissioner under the bill. General fund expenditures thus could increase by an estimated \$51,710 in fiscal 2008, which accounts for the bill's October 1, 2007 effective date. This estimate reflects the cost of hiring one financial examiner to process and investigate complaints. It includes a salary, fringe benefits, one-time start-up costs, in-state travel, and ongoing operating expenses.

Salary and Fringe Benefits	\$44,212
In-state Travel	2,250
Other Operating Expenses	<u>5,248</u>
Total FY 2008 State Expenditures	\$51,710
Positions	1

Future year expenditures reflect: • a full salary with 4.5% annual increases and 3% employee turnover; • 1% annual increases in ongoing operating expenses; and • the replacement of the examiner's laptop computer in fiscal 2011.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2007
bfl/ljm

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