

HB 4148 Paraphrased explanation of the bill and the accompanying -2 amendment

Section 1

Changes the interest rate to simple

Section 2 (Dash 2 amendment)

(1) Makes compound interest apply in the window period.

(2) Makes simple interest apply from 2016 forward.

(3) Directs the department, on July 1, 2016 to recalculate all accounts with balances using simple for all periods.

This all means that simple interest is charged for all accounts on debt accrued prior to 2011. Compound interest applies for debt accrued between 2011 through 2016. Accounts paid off within that window will pay simple and compound depending on when the debt accrued. From 2016 forward simple interest will accrue on all debt. All accounts with outstanding balances will be recalculated to apply simple interest regardless of when the debt accrued.

This allows us to program the new system one time for a single interest rate thereby avoiding reprogramming the old system. Further, it accommodates the change in interest from simple to compound and back to simple without having to retain a dual interest system.

It will give approximately 6000 deferral participants simple interest going forward and convert all interest to simple for outstanding balances effective in July 2016.