

State Corporation Commission 2008 Fiscal Impact Statement

1. Bill Number: HB1103

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Sickles

3. Committee: Commerce and Labor

4. Title: **Payday Loan Act.**

5. Summary: Payday Loan Act. Requires the State Corporation Commission, by January 1, 2009, to contract with a third party to develop, implement, and maintain an Internet-accessible database, and requires payday lenders to query the database prior to making any loan to determine whether an applicant is ineligible for the loan. The measure also (i) caps the maximum amount of a payday loan at the lesser of 25% of the borrower's gross monthly income or \$1,000, or \$500 if it is a second payday loan; (ii) requires the lender to keep records of the pay stubs used in determining gross monthly income; (iii) limits a borrower to having no more than two payday loans outstanding at any time; (iv) allows borrowers to enter into a 60-day, interest-free payment plan on a second payday loan; (v) increases the minimum term of a payday loan from seven to 14 days; (vi) requires a one day waiting period between the repayment of a loan and making a new loan; (vii) clarifies and expands the disclosure requirements for borrower's right to cancel or rescind a payday loan by 5:00 pm of the business day following the date a loan is made; (viii) assesses licensees a fee of \$1 per payday loan to defray the costs of the database; (ix) requires lender to distribute the State Corporation Commission's Consumer Guide to Payday Lending to loan applicants; (x) requires lenders to notify a borrower by telephone call prior to depositing a check given as security for a payday loan; (xi) prohibits lenders from knowingly making loans to a member of the military service or to the spouse of such person; (xii) prohibits a lender from engaging in any unfair, misleading, deceptive, or fraudulent acts or practices in the making or collecting of a payday loan; (xiii) requires a lender, when collecting or attempting to collect a payday loan when the check given as security for such loan is dishonored, to comply with certain restrictions and prohibitions contained in the Fair Debt Collection Practices Act; (xiv) provides that any provision of a written loan agreement that violates the Payday Loan Act is unenforceable against the borrower; (xv) states that the provisions of the Payday Loan Act apply to Internet lenders; and (xvi) allows licensees to secure payday loans with the borrower's electronic debit authorization or wire transfer authorizations.

6. Fiscal Impact Estimates: Not available. See Item 8.

7. Budget Amendment Necessary: No

8. Fiscal Implications: This bill will have a moderate fiscal impact on the State Corporation Commission.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/24/2008 ejf

cc: Secretary of Commerce and Trade