

# **HOUSE BILL ANALYSIS**

## **HB 2349**

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**Title:** An act relating to check cashers and sellers.

**Brief Description:** Regulating check cashers and sellers.

**Sponsors:** Representatives Sullivan, O'Brien, McDonald, Kastama, Carrell, Miloscia, Lantz, Kenney, Edmonds, Clements, Wolfe, Conway, Hurst, Kessler and Santos.

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### **HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Meeting Date:** January 28, 2000.

**Bill Analysis Prepared by:** Charlie Gavigan (786-7340)

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**Background:** Check cashers are authorized to make loans of up to \$500 for a period of 31 days or less, and accept post-dated checks from the borrowers as security for the loans. Check cashers who wish to make small loans must obtain an endorsement on their license for each location where they will make these loans. Total interest and fees is limited to 15 percent of the amount loaned.

The federal Truth-in-Lending Act (TIL) requires creditors to disclose the costs of consumer credit using a standardized format and terminology. Two of the most important TIL disclosures are finance charge- and annual percentage rate- (APR). The finance charge is the cost of credit on a dollar basis, primarily including interest and fees. The APR expresses the cost of credit as a yearly percentage rate. In addition, TIL requires the disclosure of the APR in advertising when the advertising mentions finance charge, downpayment, installment payment amount, or number of installments. Check cashers are specifically required to comply with TIL provisions by state agency rule.

**Summary of Bill:** Check cashers must disclose the annual percentage rate (APR) on individual small loans. They also must disclose the APR on a typical small loan in all advertising. The Department of Financial Institutions may adopt rules on disclosing the APR on individual loans and must adopt rules on disclosing the APR in advertising.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.