

SENATE BILL REPORT

SB 5452

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, February 6, 2003

Title: An act relating to check cashers and sellers.

Brief Description: Regulating check cashers and sellers.

Sponsors: Senators Winsley, Benton, Prentice, Keiser and Reardon; by request of Governor Locke.

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 1/28/03, 2/6/03 [DPS].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: That Substitute Senate Bill No. 5452 be substituted therefor, and the substitute bill do pass.

Signed by Senators Benton, Chair; Winsley, Vice Chair; Keiser, Prentice, Reardon, Roach and Zarelli.

Staff: Joanne Conrad (786-7472)

Background: Check cashers and sellers are legitimate businesses that provide short-term loans to individuals. Concern exists that some individuals who make use of "pay day loans" may find themselves in a cycle of debt and financial distress. It is believed by some that consumer protection would be enhanced by increased regulation of check cashers and sellers.

Summary of Substitute Bill: Borrowers who make use of "pay day loans" have a statutory right to a payment plan after making four successive loans. The payment plan provides for payment of the balance of the loan over a minimum period of 60 days, for payment of an additional fee.

Pay day loans may be rescinded by the borrower at no cost, within one business day. Lenders are prohibited from taking personal property as collateral, or from collecting damages or fees beyond the \$40 cost of collection allowed under the Uniform Commercial Code.

Pay day lenders cannot collect more than one post-dated check per pay day loan. Loan amounts and terms are increased, but no more than \$700 may be loaned to a borrower at any one time.

The Department of Financial Institutions has increased enforcement capabilities.

Substitute Bill Compared to Original Bill: It is clarified that sellers of stored value cards are not subject to licensing requirements of this act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed, except for Section 12, which takes effect on October 1, 2003.

Testimony For: This bill will protect consumers by enacting industry "best practices."

Testimony Against: None.

Testified: PRO: Senator Winsley, prime sponsor; Mark Thomson, DFI; Dennis Bassford, Moneytree Inc.