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**SUBSTITUTE HOUSE BILL 2360**

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**State of Washington**

**59th Legislature**

**2006 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Appleton, Moeller, Morrell, Lantz, Darneille, McIntire and Green)

READ FIRST TIME 2/3/06.

1       AN ACT Relating to studying small loans; creating a new section;  
2 and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4       NEW SECTION.   **Sec. 1.** (1) The legislature finds that there is  
5 inadequate information to determine the fairness or reasonableness of  
6 fees and interest associated with small loans, also known as payday  
7 loans, regulated under chapter 31.45 RCW.

8       (2) The director of the department of financial institutions shall  
9 study the economics, business models, and practices associated with the  
10 small loan business operations of lenders with small loan endorsements  
11 under chapter 31.45 RCW. The director must determine break-even points  
12 for small loan businesses included in the study, grouped by size of  
13 operation and/or volume of business, where the revenue from small loan  
14 operations equals the expenses associated with small loan operations.  
15 When making these determinations the director may make reasonable  
16 assumptions as to the expenses to be considered, including but not  
17 limited to the impact of licensing fees, bonds, and assessments under  
18 chapter 31.45 RCW, other fees and taxes, employee medical insurance

1 expenses, rent, and other business location costs, and advertising  
2 costs.

3 (3) The director is authorized to request from licensees  
4 information required to complete the study and report to the  
5 legislature. Licensees are required to provide the information  
6 requested. A licensee's unreasonable failure to provide the  
7 information requested by the director shall be grounds for an  
8 enforcement action against the licensee under RCW 31.45.110(1)(j) and  
9 the imposition of the sanctions set forth in RCW 31.45.110(2).

10 (4) The director must report the findings of this study to the  
11 legislature no later than November 30, 2006. The director may also  
12 study other issues related to small loans and include those issues in  
13 the report. The director may include recommendations based upon the  
14 findings in the report.

15 NEW SECTION. **Sec. 2.** This act is necessary for the immediate  
16 preservation of the public peace, health, or safety, or support of the  
17 state government and its existing public institutions, and takes effect  
18 immediately.

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