

SENATE BILL REPORT

SB 5547

As of February 7, 2011

Title: An act relating to removing the cap on the maximum number of small loans a borrower may have in a twelve-month period.

Brief Description: Removing the cap on the maximum number of small loans a borrower may have in a twelve-month period.

Sponsors: Senators Prentice, Benton and Hewitt.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 2/09/11.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Staff: Alison Mendiola (786-7483)

Background: Payday lending practices are regulated by the Department of Financial Institutions (DFI) under the Check Cashers and Sellers Act (Act), Chapter 31.45 RCW. The phrase payday loan refers to a type of short-term, unsecured loan that is typically offered to consumers by a business outlet offering check cashing services. In a typical payday loan transaction, the consumer writes the lender a post-dated check and, in return, the lender provides a lesser amount of cash to the consumer after subtracting interest and fees. Following this initial transaction, the lender holds the check for a specified period, during which the consumer has the option of either redeeming the check by paying the face amount to the lender or allowing the lender to cash the check after the loan period has expired.

The Act regulates payday lending practices and provides for regulation of licensees who are specifically authorized to issue small loans (also known as payday loans). A licensee is prohibited from making a small loan to a borrower if making that small loan would result in a borrower receiving more than eight small loans from all licensees in any 12-month period.

Summary of Bill: There is no limit on the number of small loans a borrower may receive in any 12-month period.

Appropriation: None.

Fiscal Note: Not requested.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Committee/Commission/Task Force Created: No.

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