
SENATE BILL 5601

State of Washington

62nd Legislature

2011 Regular Session

By Senators Nelson and Kline

Read first time 02/01/11. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to clarifying that a license and endorsement are
2 needed to make small loans; and amending RCW 31.45.073.

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

4 **Sec. 1.** RCW 31.45.073 and 2009 c 510 s 3 are each amended to read
5 as follows:

6 (1) No ((licensee)) person may engage in the business of making
7 small loans without first obtaining the license required in RCW
8 31.45.030 and a small loan endorsement to its license from the director
9 in accordance with this chapter. An endorsement will be required for
10 each location where a licensee engages in the business of making small
11 loans, but a small loan endorsement may authorize a licensee to make
12 small loans at a location different than the licensed locations where
13 it cashes or sells checks. A licensee may have more than one
14 endorsement.

15 (2) A licensee must set the due date of a small loan on or after
16 the date of the borrower's next pay date. If a borrower's next pay
17 date is within seven days of taking out the loan, a licensee must set
18 the due date of a small loan on or after the borrower's second pay date
19 after the date the small loan is made. The termination date of a small

1 loan may not exceed the origination date of that same small loan by
2 more than forty-five days, including weekends and holidays, unless the
3 term of the loan is extended by agreement of both the borrower and the
4 licensee and no additional fee or interest is charged. The maximum
5 principal amount of any small loan, or the outstanding principal
6 balances of all small loans made by all licensees to a single borrower
7 at any one time, may not exceed seven hundred dollars or thirty percent
8 of the gross monthly income of the borrower, whichever is lower. A
9 licensee is prohibited from making a small loan to a borrower who is in
10 default on another small loan until after that loan is paid in full or
11 two years have passed from the origination date of the small loan,
12 whichever occurs first.

13 (3) A licensee is prohibited from making a small loan to a borrower
14 in an installment plan with any licensee until after the plan is paid
15 in full or two years have passed from the origination date of the
16 installment plan, whichever occurs first.

17 (4) A borrower is prohibited from receiving more than eight small
18 loans from all licensees in any twelve-month period. A licensee is
19 prohibited from making a small loan to a borrower if making that small
20 loan would result in a borrower receiving more than eight small loans
21 from all licensees in any twelve-month period.

22 (5) A licensee that has obtained the required small loan
23 endorsement may charge interest or fees for small loans not to exceed
24 in the aggregate fifteen percent of the first five hundred dollars of
25 principal. If the principal exceeds five hundred dollars, a licensee
26 may charge interest or fees not to exceed in the aggregate ten percent
27 of that portion of the principal in excess of five hundred dollars. If
28 a licensee makes more than one loan to a single borrower, and the
29 aggregated principal of all loans made to that borrower exceeds five
30 hundred dollars at any one time, the licensee may charge interest or
31 fees not to exceed in the aggregate ten percent on that portion of the
32 aggregated principal of all loans at any one time that is in excess of
33 five hundred dollars. The director may determine by rule which fees,
34 if any, are not subject to the interest or fee limitations described in
35 this section. It is a violation of this chapter for any licensee to
36 knowingly loan to a single borrower at any one time, in a single loan
37 or in the aggregate, more than the maximum principal amount described
38 in this section.

1 (6) In connection with making a small loan, a licensee may advance
2 moneys on the security of a postdated check. The licensee may not
3 accept any other property, title to property, or other evidence of
4 ownership of property as collateral for a small loan. The licensee may
5 accept only one postdated check per loan as security for the loan. A
6 licensee may permit a borrower to redeem a postdated check with a
7 payment of cash or the equivalent of cash. The licensee may disburse
8 the proceeds of a small loan in cash, in the form of a check, or in the
9 form of the electronic equivalent of cash or a check.

10 (7) No person may at any time cash or advance any moneys on a
11 postdated check or draft in excess of the amount of goods or services
12 purchased without first obtaining a small loan endorsement to a check
13 casher or check seller license.

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