HCS HB 2657 -- PAYDAY LOANS

SPONSOR: Helms

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Financial Institutions by a vote of 10 to 2.

This bill modifies the law relating to unsecured loans of $500 or less, commonly referred to as payday loans.

Currently, the number of loan renewals is six times. This bill lowers the number of renewals to two. The bill also allows a lender to decline to renew a loan.

Borrowers may pay outstanding loans by means of an extended payment plan (EPP) with the following conditions:

(1) A borrower is not eligible to enter into more than one EPP in any 12-month period with an individual lender;

(2) A borrower must sign a written agreement to repay the amount owed in four or less equal installments over 60 or less days if the borrower receives bi-monthly paychecks or over 120 or less days if the borrower receives monthly paychecks;

(3) Interest does not accrue on the loan during the EPP and the borrower may prepay an EPP in full at any time without penalty;

(4) If the borrower fails to pay the amount due under the EPP, the lender can immediately accelerate the unpaid balance;

(5) If a borrower enters into an EPP, the lender cannot make another loan to the borrower until the loan is re-paid in full;

(6) The lender must post a notice in the lobby that the borrower can use an EPP; and

(7) The borrower must enter into the EPP by the close of business on the day before the due date of the loan.

If a borrower fails to pay off the loan, the lender cannot charge additional fees or interest on the outstanding loan.

A lender must provide a borrower with a notice of the borrower's right to contact the Division of Finance regarding the lender, along with contact information for the division.

Currently, the total amount of accumulated interest and fees are limited to 75%. This bill reduces that amount to 35%.

Lenders are required to comply with the Fair Debt Collection Practices Act regarding harassment or abuse, false or misleading misrepresentations, and unfair practices when collecting on a payday loan.

PROPONENTS: Supporters say that this bill strikes the balance between allowing payday lenders to loan money to borrowers while also protecting consumers.

Testifying for the bill was Representative Helms.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that the licensing fee for lenders should remain at $500 so that the division has enough money to audit lenders and that the lender should not be required to renew a loan if the borrower will only be given more fees for a loan they cannot repay.

Testifying on the bill were United Payday Lenders of Missouri; Advance America; Check Into Cash; QC Financial; and Mid America Title Loans.