

HB 1200 -- UNSECURED LOANS OF \$500 OR LESS

SPONSOR: Carpenter

This bill modifies provisions of unsecured loans of \$500 or less, commonly known as payday loans.

This bill clarifies that the costs associated with a returned check are not included in the requirements regarding fees or charges.

The bill requires that a payday lender post the fee, in terms of dollars charged per \$100 loans, be posted conspicuously in the lobby.

This bill prohibits a payday lender from renewing or extending a payday loan, except a consumer can use an extended payment plan (EPP) to pay off the remaining balance of a loan. A borrower cannot enter into more than one EPP in any 12 month period with any one individual lender and a lender cannot make another loan to the borrower until the borrower pays the balance of the loan under the terms of the EPP. The EPP must be in a written and signed document. The payment plan must be in four or fewer equal installments over 60 days or less, if the borrower receives bimonthly paychecks; or four or fewer equal installments over 120 days or less, if the borrower receives monthly paychecks. Interest cannot accrue during the term of the EPP. The EPP can be paid in full at any time without penalty during the EPP. If the borrower fails to pay the amount owed under the EPP, then the lender can immediately accelerate the unpaid loan balance. If the borrower fails to make full payment upon the expiration of the loan or of the EPP, the lender cannot charge any additional fees or interest on the outstanding loan.

Any payday lender that offers payday loans to Missouri residents through the Internet must be licensed in Missouri and comply with Missouri law. Payday lenders must inform consumers of the intended use of payday loans and include the information on all marketing materials.

A payday lender cannot make a payday loan without making a reasonable determination that the consumer will have the ability to repay the loan. For a line of credit loan, a lender cannot give the borrower the ability to obtain an advance more than 90 days after the lender has made a determination of the borrower's ability to pay.

To make a reasonable determination of a borrower's ability to repay, the lender must obtain a written statement from the consumer regarding the consumer's income and debts, and obtain verification

evidence if necessary.

Currently, a payday loan's interest and fees cannot be more than 75% of the initial loan. This bill specifies that a payday loan's interest and fees cannot be more than 35% of the loan amount.

A payday lender cannot threaten or cause criminal proceedings to be instigated against a borrower if a check given as security for a loan is dishonored. A lender that violates this prohibition must pay the borrower three times the amount of the dishonored check. However, this provision does not apply if the borrower's account was closed by the borrower or if the borrower stopped payment on the check. In collecting or attempting to collect a payday loan, a lender must comply with the Fair Debt Collection Practices Act.

Currently, the Division of Finance must submit a report to the General Assembly every other year. This bill requires the report to be submitted annually.