

HB 1438 -- PAYDAY LOANS

SPONSOR: Helms

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

The bill requires a lender to provide a borrower with a notice of the borrower's right to contact the Division of Finance regarding the lender.

Currently, the maximum number of loan renewals is six. This bill lowers the maximum 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 based on the dates the borrower receives his or her paycheck;
- (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 borrower must enter into the EPP by the close of business on the day the loan is due; and
- (7) The lender must post a notice in the lobby that the borrower can use an EPP.

Currently, the total amount of accumulated interest and fees are limited to 75% of the initial loan amount. 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.

This bill is the similar to HB 2152 (2020), HB 323 (2019), and HB 2657 (2018).