HCS SS SB 694 -- PAYDAY LOANS

(Vetoed by the Governor)

This bill changes the laws regarding unsecured loans of $500 or less, commonly known as payday loans. In its main provisions, the bill:

(1) Increases the annual licensing fee for each payday lender location from $300 to $500;

(2) Specifies that returned check costs are collection expenses and not to be considered a fee or charge;

(3) Requires a lender to conspicuously post in the office lobby the fee that is currently being charged in terms of dollars charged per $100 loaned;

(4) Repeals the provisions allowing a lender to renew a loan up to six times upon request and requiring a 5% reduction of the original principal amount at each renewal but allows a borrower to pay any outstanding loan by means of an extended payment plan (EPP) that, at a minimum:

(a) Prohibits the borrower from entering into more than one EPP in a 12-month period with the same lender;

(b) Requires the borrower to agree in a signed written document to repay the amount owed in four equal installments or less over an aggregate term of 60 days or less if the borrower receives bi-monthly paychecks or an aggregate term of 120 days or less if the borrower receives monthly paychecks. Interest must not accrue during the term of the EPP;

(c) Allows a borrower to prepay an EPP in full at any time without penalty, but allows a lender to immediately accelerate the unpaid loan balance upon the failure of a borrower to pay the amount owed when due;

(d) Prohibits a lender from extending an additional loan until an EPP is paid in full;

(e) Requires a lender to conspicuously post in the office lobby a notice that the borrower may participate in an EPP and that brochures are available at the counter containing the terms and conditions of the program; and

(f) Requires a borrower to invoke the EPP on the day before the due date of the loan by signing an amendment to the original agreement reflecting the new payment schedule;

(5) Prohibits a lender from charging any additional interest or fees if a borrower fails to make full payment upon the expiration of the original loan or EPP;

(6) Requires a lender that offers a payday loan through the Internet to Missouri residents to be licensed in Missouri and to comply with specified provisions as all other lenders unless compliance is preempted by federal law;

(7) Requires a lender to implement procedures to inform consumers of the intended use of the payday loan as specified in the bill;

(8) Reduces the maximum amount of accumulated interest and fees a borrower can be required to pay from 75% of the initial loan amount to 35% of the loan amount;

(9) Prohibits a lender from threatening or causing to be instigated criminal proceedings against a borrower if a check given as security for a loan is dishonored, except where the borrower closed the account on which the check was written or has stopped payment of the check. Any lender that knowingly violates this prohibition must pay the affected borrower three times the amount of the dishonored check;

(10) Requires lenders to comply with the applicable restrictions and prohibitions in the federal Fair Debt Collection Practices Act regarding harassment or abuse, false or misleading misrepresentations, and unfair collection practices; and

(11) Requires the Division of Finance within the Department of Insurance, Financial Institutions and Professional Registration to report required information on payday loans to the General Assembly annually on January 1 instead of the current biennial reporting requirement.