HB 2348 -- UNSECURED LOANS

SPONSOR: Carpenter

This bill enacts into state statute federal payday loan regulations that were recently repealed by the Consumer Financial Protection Bureau.

The bill prevents a lender from making a short-term loan without first making a reasonable determination that the consumer will have the ability to repay the loan. The lender must make the determination of ability to repay every 90 days. A short term loan is defined as a loan where the consumer is required to repay substantially the entire amount of the loan within 45 days.

To determine ability to repay, the lender must calculate the consumer's debt-to-income ratio and residual income and estimate the consumer's basic living expenses. The consumer must give a written statement of his or her income and current major financial obligations. The lender is required to obtain verification evidence as reasonably necessary.

The lender does not have to make a determination on ability to repay if:

(1) The first loan is less than $500; for the second loan, 2/3 of the principal amount of the first loan; or for the third loan, 1/3 of the principal amount of the first loan;

(2) The loan amortizes completely during the term of the loan and the payment schedule allocates payments to outstanding principal, interest, and fees as they accrue through a fixed periodic rate of interest;

(3) The loan is not open-end credit;

(4) The loan does not require vehicle security as a condition of the loan;

(5) The consumer has not had an outstanding loan in the past 30 days;

(6) The loan will not result in the consumer having a loan sequence of more than three short-term loans; and

(7) The loan will not result in the consumer having more than six short-term loans outstanding in any 12-month period or any outstanding short-term loans for a period of more than 90 days.

A lender cannot make subsequent short-term loans while a loan is outstanding or for 30 days after the repayment of the loan.

The lender must disclose to the consumer certain information about the loan before giving out a loan. The lender must also disclose to the consumer certain information after a loan ceases to be outstanding.

The lender must retain the loan paperwork for 36 months after a loan ceases to be outstanding.

This bill is similar to HB 1200 (2019).