
SENATE BILL 5602

State of Washington

62nd Legislature

2011 Regular Session

By Senators Nelson and Kline

Read first time 02/01/11. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to imposing a maximum interest rate of thirty-six
2 percent per annum on small loans; and amending RCW 31.45.073.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 31.45.073 and 2009 c 510 s 3 are each amended to read
5 as follows:

6 (1) No licensee may engage in the business of making small loans
7 without first obtaining a small loan endorsement to its license from
8 the director in accordance with this chapter. An endorsement will be
9 required for each location where a licensee engages in the business of
10 making small loans, but a small loan endorsement may authorize a
11 licensee to make small loans at a location different than the licensed
12 locations where it cashes or sells checks. A licensee may have more
13 than one endorsement.

14 (2) A licensee must set the due date of a small loan on or after
15 the date of the borrower's next pay date. If a borrower's next pay
16 date is within seven days of taking out the loan, a licensee must set
17 the due date of a small loan on or after the borrower's second pay date
18 after the date the small loan is made. The termination date of a small
19 loan may not exceed the origination date of that same small loan by

1 more than forty-five days, including weekends and holidays, unless the
2 term of the loan is extended by agreement of both the borrower and the
3 licensee and no additional fee or interest is charged. The maximum
4 principal amount of any small loan, or the outstanding principal
5 balances of all small loans made by all licensees to a single borrower
6 at any one time, may not exceed seven hundred dollars or thirty percent
7 of the gross monthly income of the borrower, whichever is lower. A
8 licensee is prohibited from making a small loan to a borrower who is in
9 default on another small loan until after that loan is paid in full or
10 two years have passed from the origination date of the small loan,
11 whichever occurs first.

12 (3) A licensee is prohibited from making a small loan to a borrower
13 in an installment plan with any licensee until after the plan is paid
14 in full or two years have passed from the origination date of the
15 installment plan, whichever occurs first.

16 (4) A borrower is prohibited from receiving more than eight small
17 loans from all licensees in any twelve-month period. A licensee is
18 prohibited from making a small loan to a borrower if making that small
19 loan would result in a borrower receiving more than eight small loans
20 from all licensees in any twelve-month period.

21 (5) A licensee that has obtained the required small loan
22 endorsement may charge interest or fees for small loans not to exceed
23 in the aggregate (~~fifteen percent of the first five hundred dollars of~~
24 ~~principal. If the principal exceeds five hundred dollars, a licensee~~
25 ~~may charge interest or fees not to exceed in the aggregate ten percent~~
26 ~~of that portion of the principal in excess of five hundred dollars. If~~
27 ~~a licensee makes more than one loan to a single borrower, and the~~
28 ~~aggregated principal of all loans made to that borrower exceeds five~~
29 ~~hundred dollars at any one time, the licensee may charge interest or~~
30 ~~fees not to exceed in the aggregate ten percent on that portion of the~~
31 ~~aggregated principal of all loans at any one time that is in excess of~~
32 ~~five hundred dollars)) thirty-six percent per annum. The director may
33 determine by rule which fees, if any, are not subject to the interest
34 or fee limitations described in this section. It is a violation of
35 this chapter for any licensee to knowingly loan to a single borrower at
36 any one time, in a single loan or in the aggregate, more than the
37 maximum principal amount described in this section.~~

1 (6) In connection with making a small loan, a licensee may advance
2 moneys on the security of a postdated check. The licensee may not
3 accept any other property, title to property, or other evidence of
4 ownership of property as collateral for a small loan. The licensee may
5 accept only one postdated check per loan as security for the loan. A
6 licensee may permit a borrower to redeem a postdated check with a
7 payment of cash or the equivalent of cash. The licensee may disburse
8 the proceeds of a small loan in cash, in the form of a check, or in the
9 form of the electronic equivalent of cash or a check.

10 (7) No person may at any time cash or advance any moneys on a
11 postdated check or draft in excess of the amount of goods or services
12 purchased without first obtaining a small loan endorsement to a check
13 casher or check seller license.

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