

SENATE BILL REPORT

SSB 5279

As Passed Senate, February 27, 1995

Title: An act relating to small loans by licensed check cashers and sellers.

Brief Description: Making small loans.

Sponsors: Senate Committee on Financial Institutions & Housing (originally sponsored by Senators Prentice, Roach, Prince, Spanel, Hale, Heavey, Kohl, Sellar and C. Anderson).

Brief History:

Committee Activity: Financial Institutions & Housing: 1/26/95, 2/7/95 [DPS].
Passed Senate 2/27/95, 48-1.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 5279 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: David Cheal (786-7576)

Background: Licensed check sellers and cashers are currently prohibited from making loans.

Small, short-term loans may fill a credit need in the community. They represent a risk to the lender that may justify a higher interest rate/fee combination than other types of loans.

Small, short-term loan activity probably occurs with some regularity outside of the services offered by existing, licensed lending institutions.

Summary of Bill: Licensed check sellers and cashers are authorized to make loans of up to \$500 for a period of 31 days or less, and may accept a post-dated check from the borrower as security for the loan.

Check cashers and sellers who wish to make small loans must obtain an endorsement on their license for each location where they will make these loans.

The aggregate of interest and fees is limited to 15 percent of the amount loaned.

To obtain a license endorsement to allow them to make loans, a check cashier or seller must obtain a bond or other approved financial security device in an amount and format determined by the director of the Department of Financial Institutions. This bond or other device is in addition to the financial security required for the underlying license. Anyone

damaged by violations of the act by a check casher or seller can claim against the bond or other security for actual damages.

The prohibition against check cashers and sellers making small loans is appropriately amended.

Certain parts of the application for a small loan endorsement are exempt from the Public Disclosure Act.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Short-term small loans serve a credit need in the community. Some loan granting costs are constant regardless of the amount of the loan. Therefore, a fee at this level is justified. Loans of this type are probably going to occur, whether authorized or prohibited by law. It is better to regulate the activity than to simply ignore it or prohibit it.

Testimony Against: None.

Testified: Dennis Bassford, Check-X-Change; Mark Thomson, Dept. of Financial Institutions.