

SENATE BILL REPORT

SB 6736

As of January 30, 2006

Title: An act relating to the limits on the amount, interest, terms, and fees for small loans.

Brief Description: Modifying the laws governing small loan amounts, interest, terms, and fees.

Sponsors: Senators Fairley, Mulliken and Haugen.

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/1/06.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Staff: Joanne Conrad (786-7472)

Background: According to the Department of Financial Institutions (DFI), which regulates the pay day loan industry in Washington State, pay day lending businesses made more than three million loans in 2004. Washington consumers paid \$164 million in fees for pay day loans.

While twenty percent of borrowers utilize pay day loans a half dozen times or less, more than 66 percent of borrowers use this type of loan 10 or more times. Concerns exist that overreliance on pay day loans is an indicator of financial instability, and that pay day loans should be viewed in relation to a consumer's overall financial situation.

Summary of Bill: Pay day lenders must perform an assessment of a borrower's ability to repay, evaluating the borrower's current and anticipated income, debts and employment. A pay day loan cannot exceed forty five percent of a borrower's monthly gross income.

Each loan must be for a minimum term of two weeks for each fifty dollars borrowed. The total of all loans to a single borrower cannot exceed five hundred dollars. Current law permits seven hundred dollars. Interest and fees cannot exceed thirty six percent per year.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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