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**SUBSTITUTE HOUSE BILL 2852**

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**State of Washington**

**59th Legislature**

**2006 Regular Session**

**By** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Strow, Kirby, Roach, Ericks, Serben, Appleton, Newhouse, Kilmer, Skinner, Shabro, Simpson, Williams, Tom, Darneille, Morrell, Anderson, Hankins, McCune, Wallace, Green and Ormsby)

READ FIRST TIME 02/03/06.

1 AN ACT Relating to small loans made by unlicensed check cashers and  
2 sellers; 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 2003 c 86 s 8 are each amended to read  
5 as follows:

6 (1) No licensee may engage in the business of making small loans to  
7 any person physically located in Washington state, including through  
8 use of the internet, facsimile, telephone, kiosk, or other remote means  
9 without first obtaining a small loan endorsement to its license from  
10 the director in accordance with this chapter. An endorsement will be  
11 required for each location where a licensee engages in the business of  
12 making small loans, but a small loan endorsement may authorize a  
13 licensee to make small loans at a location different than the licensed  
14 locations where it cashes or sells checks. A licensee may have more  
15 than one endorsement.

16 (2) The termination date of a small loan may not exceed the  
17 origination date of that same small loan by more than forty-five days,  
18 including weekends and holidays, unless the term of the loan is  
19 extended by agreement of both the borrower and the licensee and no

1 additional fee or interest is charged. The maximum principal amount of  
2 any small loan, or the outstanding principal balances of all small  
3 loans made by a licensee to a single borrower at any one time, may not  
4 exceed seven hundred dollars.

5 (3) A licensee that has obtained the required small loan  
6 endorsement may charge interest or fees for small loans not to exceed  
7 in the aggregate fifteen percent of the first five hundred dollars of  
8 principal. If the principal exceeds five hundred dollars, a licensee  
9 may charge interest or fees not to exceed in the aggregate ten percent  
10 of that portion of the principal in excess of five hundred dollars. If  
11 a licensee makes more than one loan to a single borrower, and the  
12 aggregated principal of all loans made to that borrower exceeds five  
13 hundred dollars at any one time, the licensee may charge interest or  
14 fees not to exceed in the aggregate ten percent on that portion of the  
15 aggregated principal of all loans at any one time that is in excess of  
16 five hundred dollars. The director may determine by rule which fees,  
17 if any, are not subject to the interest or fee limitations described in  
18 this section. It is a violation of this chapter for any licensee to  
19 knowingly loan to a single borrower at any one time, in a single loan  
20 or in the aggregate, more than the maximum principal amount described  
21 in this section.

22 (4) In connection with making a small loan, a licensee may advance  
23 moneys on the security of a postdated check. The licensee may not  
24 accept any other property, title to property, or other evidence of  
25 ownership of property as collateral for a small loan. The licensee may  
26 accept only one postdated check per loan as security for the loan. A  
27 licensee may permit a borrower to redeem a postdated check with a  
28 payment of cash or the equivalent of cash. The licensee may disburse  
29 the proceeds of a small loan in cash, in the form of a check, or in the  
30 form of the electronic equivalent of cash or a check.

31 (5) No person may at any time cash or advance any moneys on a  
32 postdated check or draft in excess of the amount of goods or services  
33 purchased without first obtaining a small loan endorsement to a check  
34 cashier or check seller license.

35 (6) Any small loan agreement or contract made between a borrower  
36 and a licensee without the licensee first obtaining a small loan  
37 endorsement is void and unenforceable.

1        (7) This section does not apply to a loan made by a private party  
2        to another private party if the interest rate charged is less than the  
3        usury rate in RCW 19.52.020.

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