
SENATE BILL 6736

State of Washington

59th Legislature

2006 Regular Session

By Senators Fairley, Mulliken and Haugen

Read first time 01/19/2006. Referred to Committee on Financial Institutions, Housing & Consumer Protection.

1 AN ACT Relating to the limits on the amount, interest, terms, and
2 fees for 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 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
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) (~~The termination date of a small loan may not exceed the~~
15 ~~origination date of that same small loan by more than forty five days,~~
16 ~~including weekends and holidays, unless the term of the loan is~~
17 ~~extended by agreement of both the borrower and the licensee and no~~
18 ~~additional fee or interest is charged.)) A licensee that has obtained
19 the required small loan endorsement may not make a small loan under~~

1 this chapter unless (a) the licensee has assessed the borrower's
2 ability to repay the loan, including the borrower's current and
3 expected income, current obligations, and employment, and (b) at
4 consummation of the loan, the borrower's total monthly debts, including
5 the small loan, do not exceed forty-five percent of the borrower's
6 monthly gross income. Each small loan must have a minimum term of not
7 less than two weeks, including weekends and holidays, for each fifty-
8 dollar amount owed on the small loan. The maximum principal amount of
9 any small loan, or the outstanding principal balances of all small
10 loans made by a licensee to a single borrower at any one time, may not
11 exceed (~~seven~~) five hundred dollars.

12 (3) A licensee that has obtained the required small loan
13 endorsement may charge interest or fees for small loans not to exceed
14 (~~in the aggregate fifteen percent of the first five hundred dollars of~~
15 ~~principal. If the principal exceeds five hundred dollars, a licensee~~
16 ~~may charge interest or fees not to exceed in the aggregate ten percent~~
17 ~~of that portion of the principal in excess of five hundred dollars))
18 thirty-six percent per annum. The rate charged on the outstanding
19 balance after maturity shall not be greater than the rate charged
20 during the loan term. If a licensee makes more than one loan to a
21 single borrower, (~~and~~) the aggregated principal of all loans made to
22 that borrower (~~exceeds~~) may not exceed five hundred dollars at any
23 one time(~~, the licensee may charge interest or fees not to exceed in~~
24 ~~the aggregate ten percent on that portion of the aggregated principal~~
25 ~~of all loans at any one time that is in excess of five hundred~~
26 ~~dollars)). The director may determine by rule which fees, if any, are~~
27 not subject to the interest or fee limitations described in this
28 section. It is a violation of this chapter for any licensee to
29 knowingly loan to a single borrower at any one time, in a single loan
30 or in the aggregate, more than the maximum principal amount described
31 in this section.~~

32 (4) In connection with making a small loan, a licensee may advance
33 moneys on the security of a postdated check. The licensee may not
34 accept any other property, title to property, or other evidence of
35 ownership of property as collateral for a small loan. The licensee may
36 accept only one postdated check per loan as security for the loan. A
37 licensee may permit a borrower to redeem a postdated check with a

1 payment of cash or the equivalent of cash. The licensee may disburse
2 the proceeds of a small loan in cash, in the form of a check, or in the
3 form of the electronic equivalent of cash or a check.

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

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