Legislative Analysis

PAYDAY LOAN INTEREST CAP

House Bill 5290 as introduced
Sponsor: Rep. Abraham Aiyash
Committee: Insurance and Financial Services
Complete to 4-17-24

Phone: (517) 373-8080
http://www.house.mi.gov/hfa

Analysis available at
http://www.legislature.mi.gov

SUMMARY:

House Bill 5290 would amend the Deferred Presentment Service Transaction Act to limit the interest rate that can be charged on a deferred presentment transaction (i.e., a payday loan).

Currently, the act allows lenders to enter into one transaction of up to $600 with a customer and charge a service fee for each $100 increment of the loan. For a $600 loan, the total service fee can be up to $76. The act does not place a cap on interest rates.

The bill would eliminate the ability to charge a service fee and would cap the annual interest rate on payday loans at 36% annually. The annual percentage would be calculated as a military annual percentage rate under 32 CFR 232.4.[1]

The bill would also provide than any transaction that violated the provisions of limitations on payday loans under section 33 of the act, including the interest rate cap, would be void and unpayable.

The bill would take effect 90 days after it is enacted.

MCL 487.2153

BACKROUND:

The bill is identical to Senate Bill 632 as it was passed by the Senate.

House Bill 4251 of the 2019-20 legislative session, which contained similar provisions, received a hearing but was not reported from committee.[2]

FISCAL IMPACT:

House Bill 5290 would not have a fiscal impact on any units of state or local government.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

[1] https://www.ecfr.gov/current/title-32/subtitle-A/chapter-I/subchapter-M/part-232/section-232.4
[2] https://www.legislature.mi.gov/Bills/Bill?ObjectName=2019-HB-4251