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SENATE BILL 5419

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State of Washington

63rd Legislature

2013 Regular Session

By Senators Benton, Shin, and Roach

Read first time 01/29/13. Referred to Committee on Financial Institutions, Housing & Insurance.

1 AN ACT Relating to increasing the cap on small loans; and amending  
2 RCW 31.45.073.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 31.45.073 and 2009 c 510 s 3 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) A licensee must set the due date of a small loan on or after  
15 the date of the borrower's next pay date. If a borrower's next pay  
16 date is within seven days of taking out the loan, a licensee must set  
17 the due date of a small loan on or after the borrower's second pay date  
18 after the date the small loan is made. The termination date of a small  
19 loan may not exceed the origination date of that same small loan by

1 more than forty-five days, including weekends and holidays, unless the  
2 term of the loan is extended by agreement of both the borrower and the  
3 licensee and no additional fee or interest is charged. The maximum  
4 principal amount of any small loan, or the outstanding principal  
5 balances of all small loans made by all licensees to a single borrower  
6 at any one time, may not exceed seven hundred dollars or thirty percent  
7 of the gross monthly income of the borrower, whichever is lower. A  
8 licensee is prohibited from making a small loan to a borrower who is in  
9 default on another small loan until after that loan is paid in full or  
10 two years have passed from the origination date of the small loan,  
11 whichever occurs first.

12 (3) A licensee is prohibited from making a small loan to a borrower  
13 in an installment plan with any licensee until after the plan is paid  
14 in full or two years have passed from the origination date of the  
15 installment plan, whichever occurs first.

16 (4) A borrower is prohibited from receiving more than (~~eight~~)  
17 twelve small loans from all licensees in any twelve-month period. A  
18 licensee is prohibited from making a small loan to a borrower if making  
19 that small loan would result in a borrower receiving more than  
20 (~~eight~~) twelve small loans from all licensees in any twelve-month  
21 period.

22 (5) A licensee that has obtained the required small loan  
23 endorsement may charge interest or fees for small loans not to exceed  
24 in the aggregate fifteen percent of the first five hundred dollars of  
25 principal. If the principal exceeds five hundred dollars, a licensee  
26 may charge interest or fees not to exceed in the aggregate ten percent  
27 of that portion of the principal in excess of five hundred dollars. If  
28 a licensee makes more than one loan to a single borrower, and the  
29 aggregated principal of all loans made to that borrower exceeds five  
30 hundred dollars at any one time, the licensee may charge interest or  
31 fees not to exceed in the aggregate ten percent on that portion of the  
32 aggregated principal of all loans at any one time that is in excess of  
33 five hundred dollars. The director may determine by rule which fees,  
34 if any, are not subject to the interest or fee limitations described in  
35 this section. It is a violation of this chapter for any licensee to  
36 knowingly loan to a single borrower at any one time, in a single loan  
37 or in the aggregate, more than the maximum principal amount described  
38 in this section.

1           (6) In connection with making a small loan, a licensee may advance  
2 moneys on the security of a postdated check. The licensee may not  
3 accept any other property, title to property, or other evidence of  
4 ownership of property as collateral for a small loan. The licensee may  
5 accept only one postdated check per loan as security for the loan. A  
6 licensee may permit a borrower to redeem a postdated check with a  
7 payment of cash or the equivalent of cash. The licensee may disburse  
8 the proceeds of a small loan in cash, in the form of a check, or in the  
9 form of the electronic equivalent of cash or a check.

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

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