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BILL ANALYSIS

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Senate Bill 454 (as introduced 4-26-07)  
Sponsor: Senator Dennis Olshove  
Committee: Banking and Financial Institutions

Date Completed: 5-29-07

### **CONTENT**

**The bill would amend the Deferred Presentment Service Transactions Act to limit the fees that a licensee could charge a customer serving on active duty in the U.S. Armed Forces, or the spouse or dependent child of such an individual, for a deferred presentment service transaction and for administration of a repayment plan.**

(A deferred presentment service transaction is a transaction between a licensee and a customer under which the licensee agrees to pay to the customer an agreed-upon amount in exchange for a fee and to hold the customer's check for a period of time before negotiation, redemption, or presentment of the check.)

#### Service Fee

The Act allows a licensee to enter into one deferred presentment service transaction with a customer for any amount up to \$600. A licensee may charge the customer a service fee for each deferred presentment service transaction. As part of the service fee, the licensee may charge the amount of any database verification fee allowed under the Act and an amount that does not exceed the aggregate of the following, as applicable:

- 15% of the first \$100.
- 14% of the second \$100.
- 13% of the third \$100.
- 12% of the fourth \$100.
- 11% of the fifth \$100.
- 11% of the sixth \$100.

(A database verification fee may be imposed for the actual costs of entering, gaining access to, and verifying data in a statewide database to verify that a customer does not have any other open deferred presentment service transactions with the licensee and does not have more than one open deferred presentment service transaction with any other licensee.)

Under the bill, if a customer were serving on active duty in any branch of the Armed Forces of the United States at the time that he or she entered into a deferred presentment service transaction with a licensee, or if the customer were the spouse or dependent child of an individual who was serving on active duty in any branch of the Armed Forces of the United States at the time that spouse or child entered into the deferred presentment service transaction, the licensee could not charge that customer a service fee that exceeded 50% of the service fee amount otherwise determined under the Act.

"Armed Forces of the United States" would mean the Armed Forces of the United States and their reserve components and the United States Coast Guard.

#### Fee for Administration of Repayment Plan

Under the Act, if a customer enters into eight deferred presentment service transactions with any licensee in any 12-month period, the licensee must give the customer an option (and a notice of his or her entitlement to the option) to repay the eighth transaction and each additional transaction in that 12-month period pursuant to a written repayment plan, subject to the terms of the Act.

The drawer must pay a fee of \$15 to the licensee for administration of the repayment plan. Beginning March 1, 2011, and by March 1 of every fifth year after that date, the licensee may adjust the fee by an amount that reflects the cumulative percentage change in the Detroit consumer price index over the preceding five years.

Under the bill, if a customer were serving on active duty in any branch of the Armed Forces of the United States at the time that he or she entered into a repayment plan with a licensee, or were the spouse or dependent child of such an individual at the time that spouse or child entered into the repayment plan, the licensee could not charge that customer a fee for administration of the repayment plan that exceeded 50% of the fee amount otherwise determined under the Act.

MCL 487.2122 et al.

Legislative Analyst: Craig Laurie

#### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.