Legislative Analysis

PAYDAY LOAN SERVICE FEES

House Bill 4251 as introduced
Sponsor: Rep. William J. Sowerby
Committee: Financial Services
Complete to 10-2-19

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

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

SUMMARY:

House Bill 4521 would amend the Deferred Presentment Service Transactions Act to prohibit the service fee on a deferred presentment service transaction from exceeding an annual percentage rate of 36% as determined under the federal Military Lending Act.[1] A deferred presentment service transaction that violated this provision, or any other provision in section 33 of the act, would be void and uncollectible as to any principal, fee, or charge. (The law currently stipulates that a service fee is earned by a licensee on the date of the transaction and is not interest; the bill would delete this language.)

The bill would also prohibit a licensee from doing any of the following.

- Entering into a deferred presentment service transaction without first determining and documenting that the customer has a reasonable ability to repay the loan. A licensee would have to, at a minimum, verify the customer's credit history and current and anticipated income and expenses. A customer would not have a reasonable ability to repay the loan if the payments caused him or her to have a ***debt-to-income ratio*** higher than 41%. (The bill would define ***debt-to-income ratio*** as the ratio of a customer's ***total monthly debt obligation*** to his or her gross monthly income. ***Total monthly debt obligation*** would mean the sum of a customer's rent or mortgage-related obligations, any other secured or unsecured debt obligations, and payments for child support and alimony.)
- Making, offering, assisting, arranging, guaranteeing, or collecting a deferred presentment service transaction with fees or charges that are greater than allowed under the act.
- Engaging in any device or subterfuge to evade the requirements of the act.

The bill would take effect 90 days after its enactment.

MCL 487.2153 and 487.2160

FISCAL IMPACT:

House Bill 4251 would not have a fiscal impact on the Department of Insurance and Financial Services or any other unit of state or local government.

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[1] See https://www.govinfo.gov/content/pkg/CFR-2012-title32-vol2/pdf/CFR-2012-title32-vol2-part232.pdf