

FINAL BILL REPORT

SSB 5279

C 18 L 95

Synopsis as Enacted

Brief Description: Making small loans.

Sponsors: Senate Committee on Financial Institutions & Housing (originally sponsored by Senators Prentice, Roach, Prince, Spanel, Hale, Heavey, Kohl, Sellar and C. Anderson).

Senate Committee on Financial Institutions & Housing
House Committee on Financial Institutions & Insurance

Background: Licensed check sellers and cashers are currently prohibited from making loans.

Small, short-term loans may fill a credit need in the community. They represent a risk to the lender that may justify a higher interest rate/fee combination than other types of loans.

Small, short-term loan activity probably occurs with some regularity outside of the services offered by existing, licensed lending institutions.

Summary: Licensed check sellers and cashers are authorized to make loans of up to \$500 for a period of 31 days or less, and may accept a post-dated check from the borrower as security for the loan.

Check cashers and sellers who wish to make small loans must obtain an endorsement on their license for each location where they are going to make these loans.

The aggregate of interest and fees is limited to 15 percent of the amount loaned.

To obtain a license endorsement to allow them to make loans, a check casher or seller must obtain a bond or other approved financial security device in an amount and format determined by the director of the Department of Financial Institutions. This bond or other device is in addition to the financial security required for the underlying license. Anyone damaged by violations of the act by a check casher or seller can claim against the bond or other security for actual damages.

The prohibition against check cashers and sellers making small loans is appropriately amended.

Certain parts of the application for a small loan endorsement are exempt from the Public Disclosure Act.

Votes on Final Passage:

Senate	48	1
House	96	0

Effective: July 23, 1995