

# SENATE BILL REPORT

## ESSB 5415

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As Passed Senate, March 8, 2005

**Title:** An act relating to making loans under chapter 31.45 RCW to military borrowers.

**Brief Description:** Making loans under chapter 31.45 RCW to military borrowers.

**Sponsors:** Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Fairley and Kline).

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Consumer Protection: 2/8/05, 2/16/05 [DPS].

Passed Senate: 3/8/05, 48-0.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

**Majority Report:** That Substitute Senate Bill No. 5415 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Delvin, Franklin, Keiser, Prentice, Schmidt and Spanel.

**Staff:** Joanne Conrad (786-7472)

**Background:** Washington State Department of Financial Institutions (DFI) regulates payday lenders. Recent studies indicate a high concentration of payday lending companies near military bases. Around the country, military commanders and military relief societies report cases of soldiers, sailors, and marines getting into financial difficulties when dealing with payday lenders, with reported stress to their fitness for duty, and negative consequences for their families.

In response, the payday lending industry, through its professional associations, worked with the military to address concerns. Payday lenders have developed a set of "Military Best Practices," reflecting standards for ethical military loans.

**Summary of Bill:** Payday loan "Military Best Practices" are established in statute. For loans to military borrowers, licensees (payday lenders licensed by DFI) are required to do the following:

- when collecting delinquent loans, refrain from garnishment of military wages;
- defer collection when a military borrower is deployed for combat/combat support;
- refrain from contacting a borrower's commanding officer in a effort to collect debt;
- honor repayment terms worked out with military or third-party credit counselors; and
- make no loans to military borrowers if the base commander has declared the payday lending location "off limits."

The payday lender must have actual knowledge that the borrower is a "military borrower," and that a particular location is "off limits."

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This language has been adopted in other states, and is favored as responsible "best practices" by the industry. It would set a good standard in statute. It would be good to extend it to all consumers, if that were possible.

**Testimony Against:** None.

**Who Testified:** PRO: Dennis Bassford, Moneytree; Gary Gardner, BECU; Capt Dargan, USN; Liz Kosse, Navy and Marine Relief Society; Bruce Nees, Columbia Legal Services; Lauren Maughon, AARP.

CON: None.

**House Amendment(s):** Clarifies that a payday lender may not make a loan to a known military borrower from a specific location, when that location has been declared off-limits by the military borrower's commander and the lender has been notified in writing.

Passed House: 66-28.