

HOUSE RESEARCH

Bill Summary

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Overview

This bill deals with payday lending, which is an industry that makes very short-term consumer loans. This type of loan is typically made by firms that specialize in that market.

Section

- 1 Application.** Closes a loophole that allows payday lenders to evade the requirement that payday loans be made under section 47.60, instead of under section 47.59.
- 2 Definitions.** Amends the definition of a “consumer small loan” (payday loan) in the section (47.60) that regulates payday lenders. Eliminates a provision limiting the definition to loans of \$350 or less. Expands the types of loans included to respond to the types of loans being made in the marketplace, which do not always include the borrower providing a signed check as collateral. Eliminates a restriction on the type of entity that is subject to the payday lending regulations.
- 3 Interest rates and fees.** Clarifies that the law does not prohibit payday lenders from charging lower interest rates and fees than the maximum the law permits. Clarifies that the “charges” in current law are interest. Strikes language that is moved to the following section of the bill, to improve organization.
- 4 Terms conditions, and prohibitions.** Contains language moved from the preceding section, without change in current law, except that paragraph (c) adds a reference to loans made under section 47.601, and paragraph (f) uses the term “affiliate” instead of “related interest.”
- 5 Consumer short-term loan contract.** Amends a subdivision of section 47.601 to eliminate the ability to make this type of loan under section 47.59. Adds a reference to the new subdivision 2a added in section 4 of this bill.
- 6 Penalties for violation; private right of action.** Clarifies language. Moves loan and

charges limits to the following clause (4), and references the new location of those limits in this bill. Eliminates a reference to section 47.59, consistent with the rest of this bill.

- 7** **Powers, limitations.** Amends the chapter of law that regulates industrial loan and thrift companies to eliminate their current ability to use a loophole to evade the limits on payday loans contained in section 47.60, either directly or through using an affiliated company.