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NEWS RELEASE

FOR IMMEDIATE RELEASE

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CONSUMER PROTECTIONS ADDED TO IDAHO'S PAYDAY LOAN ACT EFFECTIVE JULY 1, 2014

Boise, Idaho The Idaho Department of Finance is announcing changes to Idaho's Payday Loan Act that go into effect on Tuesday, July 1st. The 2014 Idaho Legislature passed Senate Bill 1314, amending Idaho's Payday Loan Act to include new consumer protections for payday loan borrowers. Senate Bill 1314, sponsored by Senator Lee Heider, brings substantial changes to how payday lenders will be authorized to operate in Idaho.

The new provisions provide the following protections:

- The amount of a payday loan is now restricted to 25 percent of a borrower's gross monthly income and also cannot exceed a total loan amount of \$1,000.
- Payday lenders are limited in the number of times they may present a borrower's check for payment. A payday lender may only make one initial presentment of a check and two subsequent re-presentments if the check remains unpaid.
- Payday lenders are required to provide an extended payment plan for borrowers who experience difficulties paying off their loans. An extended payment plan must be timely requested by the borrower and involves no additional fees. An extended payment plan allows borrowers to repay a payday loan over a 60-day period in four equal installments. Borrowers may request an extended payment plan only once per 12-month period.
- The law's new amendments enhance existing consumer protection disclosures and require all such disclosures to be in 12-point bold and capitalized type. A list of these required disclosures is attached.

Senator Heider stated, "Our objective with this legislation was to help those individuals who may be trapped in the payday loan cycle to find a way out with no further costs, interest or fees. This legislation informs potential borrowers in advance of the risks associated with payday borrowing and helps them to understand their options, prior to signing. I feel this legislation is beneficial and will provide cost savings for the citizens of Idaho."

Gavin Gee, director of the Department of Finance added, "The availability of an extended payment plan, individual borrower loan limits tied to monthly income, as well as other new provisions of the law, limit some risks associated with payday loans. But consumers should be aware that payday loans can still be costly and are intended only to address short-term credit needs."

From data provided to the department by Idaho licensed payday lenders, in calendar year 2013 Idaho's licensed payday lenders made 446,704 payday loans to Idaho borrowers in the total dollar amount of \$169,446,196. A total of 2,684 payday loans made in Idaho during 2013 were rescinded by the borrower by the close of the next business day at no cost to the borrower. The average estimated size of a payday loan in 2013 was \$363, and the average payday loan term was 20 days. The average fee, weighted by loan volume, for a 14-day \$100 payday loan was \$19.64 with fees ranging from a low of \$15 to a high of \$30.

In addition to the new requirements of Senate Bill 1314, the Idaho Payday Loan Act prohibits payday lenders from engaging in certain activities, including:

- Making a payday loan in Idaho without first holding a license issued by the Department;
- Accepting payment for a payday loan through the proceeds of another payday loan made by the same payday lender;
- Engaging in unfair or deceptive acts or practices in advertising or conducting business;
- Accepting any property, title to property, or any other type of collateral, aside from a post-dated check or its electronic equivalent, for a payday loan;
- Renewing a payday loan more than three (3) consecutive times. After three (3) renewals the loan must be paid in full before another payday loan is extended; and,
- Imposing any other fee to a payday loan borrower other than the agreed-upon finance charge.

Payday lenders doing business in Idaho are licensed, examined, and regulated by the Idaho Department of Finance. The department urges borrowers who may be considering a payday loan to become aware of their rights under the newly amended law and consider all choices and alternatives before using a payday loan. An informational brochure, "Payday Loans in Idaho," is available on the department's Web site at <http://finance.idaho.gov/Education/Documents/Payday-Loans-in-Idaho.pdf> and copies are available by contacting the department. Payday loan borrowers also are urged to comparison shop because payday loan fees do vary between lenders and are negotiable under Idaho law.

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Consumers can obtain information about financial firms, professionals or products, as well as view more Department press releases and other information on the Internet at <http://finance.idaho.gov> or by contacting the Department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.

Sample Idaho Payday Loan Disclosures

With the passage of S1314, payday lenders operating in Idaho must provide some new specific disclosures to payday loan borrowers. At a minimum, the following disclosures would meet Idaho's new payday loan disclosure requirements, so long as they are provided by the lender to the borrower in 12-point capitalized and bold type before disbursing any payday loan funds:

- 1. PAYDAY LOANS ARE INTENDED TO ADDRESS SHORT-TERM, NOT LONG-TERM, FINANCIAL NEEDS;**
- 2. YOU WILL BE REQUIRED TO PAY ADDITIONAL FEES IF THE PAYDAY LOAN IS RENEWED RATHER THAN PAID IN FULL WHEN DUE;**
- 3. YOU HAVE THE RIGHT TO RESCIND THE PAYDAY LOAN AT NO COST NO LATER THAN THE END OF THE NEXT BUSINESS DAY FOLLOWING THE DAY ON WHICH THE PAYDAY LOAN IS MADE;**
- 4. PAYDAY LOANS MAY CONTAIN HIGH-COST FEATURES, AND BORROWERS SHOULD CONSIDER ALTERNATIVE LOWER-COST LOANS;**
- 5. IF YOU BELIEVE THAT THE LENDER HAS VIOLATED THE LAW, YOU MAY FILE A WRITTEN COMPLAINT WITH THE IDAHO DEPARTMENT OF FINANCE. FILING A COMPLAINT DOES NOT LIMIT NOR IMPAIR ANY RIGHTS YOU MAY HAVE AGAINST THE LENDER;**
- 6. YOU HAVE A ONE-TIME RIGHT DURING ANY CONSECUTIVE TWELVE (12) MONTH PERIOD TO CONVERT A PAYDAY LOAN INTO AN EXTENDED PAYMENT PLAN AT NO ADDITIONAL COSTS.**