

SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION

S.F. No. 1815

(SENATE AUTHORS: HAYDEN)

DATE	D-PG	OFFICIAL STATUS
03/16/2015		Introduction and first reading Referred to Commerce

1.1 A bill for an act
 1.2 relating to financial institutions; regulating payday lending; amending Minnesota
 1.3 Statutes 2014, section 47.60.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2014, section 47.60, is amended to read:

1.6 **47.60 CONSUMER SMALL LOANS.**

1.7 Subdivision 1. **Definitions.** For purposes of this section, the terms defined have
 1.8 the meanings given them:

1.9 (a) "Consumer small loan" is a loan transaction in which cash is advanced to a
 1.10 borrower for the borrower's own personal, family, or household purpose. A consumer
 1.11 small loan is a short-term, unsecured loan to be repaid in a single installment. The cash
 1.12 advance of a consumer small loan is equal to or less than \$350. A consumer small loan
 1.13 includes an indebtedness evidenced by but not limited to a promissory note or agreement
 1.14 to defer the presentation of a personal check for a fee.

1.15 (b) "Consumer small loan lender" is a financial institution as defined in section
 1.16 47.59 or a business entity registered with the commissioner and engaged in the business
 1.17 of making consumer small loans.

1.18 Subd. 2. **Authorization, terms, conditions, and prohibitions.** (a) In lieu of the
 1.19 interest, finance charges, or fees in any other law, a consumer small loan lender may
 1.20 charge the following:

1.21 ~~(1) on any amount up to and including \$50, a charge of \$5.50 may be added;~~

1.22 ~~(2) on amounts in excess of \$50, but not more than \$100, a charge may be added~~
 1.23 ~~equal to ten percent of the loan proceeds plus a \$5 administrative fee;~~

2.1 ~~(3) on amounts in excess of \$100, but not more than \$250, a charge may be~~
2.2 ~~added equal to seven percent of the loan proceeds with a minimum of \$10 plus a \$5~~
2.3 ~~administrative fee;~~

2.4 ~~(4) for amounts in excess of \$250 and not greater than the maximum in subdivision~~
2.5 ~~1, paragraph (a), a charge may be added equal to six percent of the loan proceeds with a~~
2.6 ~~minimum of \$17.50 plus a \$5 administrative fee. and receive interest at a simple annual~~
2.7 ~~rate not to exceed 30 percent.~~

2.8 (b) The term of a loan made under this section shall be for no more than 30 calendar
2.9 days.

2.10 (c) After maturity, the contract rate must not exceed 2.75 percent per month of the
2.11 remaining loan proceeds after the maturity date calculated at a rate of 1/30 of the monthly
2.12 rate in the contract for each calendar day the balance is outstanding.

2.13 (d) No insurance charges or other charges must be permitted to be charged, collected,
2.14 or imposed on a consumer small loan except as authorized in this section.

2.15 (e) On a loan transaction in which cash is advanced in exchange for a personal
2.16 check, a return check charge may be charged as authorized by section 604.113, subdivision
2.17 2, paragraph (a). The civil penalty provisions of section 604.113, subdivision 2, paragraph
2.18 (b), may not be demanded or assessed against the borrower.

2.19 (f) A loan made under this section must not be repaid by the proceeds of another
2.20 loan made under this section by the same lender or related interest. The proceeds from a
2.21 loan made under this section must not be applied to another loan from the same lender or
2.22 related interest. No loan to a single borrower made pursuant to this section shall be split or
2.23 divided and no single borrower shall have outstanding more than one loan with the result
2.24 of collecting a higher charge than permitted by this section or in an aggregate amount of
2.25 principal exceed at any one time the maximum of \$350.

2.26 Subd. 3. **Filing.** (a) Before a business entity other than a financial institution as
2.27 defined by section 47.59 engages in the business of making consumer small loans to
2.28 Minnesota residents, the business entity shall file with the commissioner as a consumer
2.29 small loan lender. The filing must be on a form prescribed by the commissioner together
2.30 with a fee of \$250 for each place of business and contain the following information in
2.31 addition to the information required by the commissioner:

2.32 (1) evidence that the filer has available for the operation of the business at the
2.33 location specified, liquid assets of at least \$50,000; and

2.34 (2) a biographical statement on the principal person responsible for the operation
2.35 and management of the business to be certified.

3.1 (b) The business entity shall notify the department of any material change to the
3.2 information required pursuant to paragraph (a) within 30 days of the change.

3.3 (c) Revocation of the filing is the same as in the case of a regulated lender license in
3.4 section 56.09.

3.5 (d) For purposes of this subdivision, "business entity" includes one that does not
3.6 have a physical location in Minnesota that makes a consumer small loan electronically
3.7 via the Internet.

3.8 **Subd. 4. Books of account; annual report; schedule of charges; disclosures.** (a)
3.9 A lender filing under subdivision 3 shall keep and use in the business books, accounts,
3.10 and records as will enable the commissioner to determine whether the filer is complying
3.11 with this section.

3.12 (b) A lender filing under subdivision 3 shall annually on or before March 15 file a
3.13 report to the commissioner giving the information the commissioner reasonably requires
3.14 concerning the business and operations during the preceding calendar year, including:

3.15 (1) the information required to be reported under section 47.601, subdivision 4;

3.16 (2) the percentage of loans issued during the reporting period that are to be repaid by
3.17 recurring debits from the borrower's bank account;

3.18 (3) the number and percentage of borrowers on fixed incomes, from sources
3.19 exclusively comprised of government benefits, including Social Security, retirement and
3.20 disability benefits, veterans benefits, railroad retirement benefits or the MFIP program, as
3.21 defined in section 119B.011, subdivision 17, and the number and percentage of the loans
3.22 that are secured by fixed income sources; and

3.23 (4) the number and dollar amount of dishonored check fees based on nonsufficient
3.24 funds and the total number and percentage of loans that result in these fees and borrowers
3.25 that incur these fees.

3.26 (c) A lender filing under subdivision 3 shall display prominently in each place of
3.27 business a full and accurate schedule, to be approved by the commissioner, of the charges
3.28 to be made and the method of computing those charges. A lender shall furnish a copy of
3.29 the contract of loan to a person obligated on it or who may become obligated on it at any
3.30 time upon the request of that person. This is in addition to any disclosures required by the
3.31 federal Truth in Lending Act, United States Code, title 15.

3.32 (d) A lender filing under subdivision 3 shall, upon repayment of the loan in
3.33 full, mark indelibly every obligation signed by the borrower with the word "Paid" or
3.34 "Canceled" within 20 days after repayment.

3.35 (e) A lender filing under subdivision 3 shall display prominently, in each licensed
3.36 place of business, a full and accurate statement of the charges to be made for loans made

4.1 under this section. The statement of charges must be displayed in a notice, on plastic or
4.2 other durable material measuring at least 12 inches by 18 inches, headed "CONSUMER
4.3 NOTICE REQUIRED BY THE STATE OF MINNESOTA." The notice shall include,
4.4 immediately above the statement of charges, the following sentence, or a substantially
4.5 similar sentence approved by the commissioner: "These loan charges are higher than
4.6 otherwise permitted under Minnesota law. Minnesota law permits these higher charges
4.7 only because short-term small loans might otherwise not be available to consumers. If
4.8 you have another source of a loan, you may be able to benefit from a lower interest rate
4.9 and other loan charges." The notice must not contain any other statement or information,
4.10 unless the commissioner has determined that the additional statement or information is
4.11 necessary to prevent confusion or inaccuracy. The notice must be designed with a type
4.12 size that is large enough to be readily noticeable and legible. The form of the notice must
4.13 be approved by the commissioner prior to its use.

4.14 Subd. 5. **Complaints alleging violation.** A person obligated to or having been
4.15 obligated to a consumer small loan lender filing under subdivision 3 and having reason
4.16 to believe that this section has been violated may file with the commissioner a written
4.17 complaint setting forth the details of the alleged violation. The commissioner, upon
4.18 receipt of the complaint, may inspect the pertinent books, records, letters, and contracts of
4.19 the lender and borrower involved. The commissioner may assess against the lender a fee
4.20 covering the necessary costs of an investigation under this section. The commissioner
4.21 may maintain an action for the recovery of the costs in a court of competent jurisdiction.

4.22 Subd. 6. **Penalties for violation.** A person who violates or participates in the
4.23 violation of any of the provisions of this section is liable in the same manner as in section
4.24 47.601, subdivision 6.