

April 23, 2001

**H 1365. IMPROVE REGULATION OF PAYDAY LENDERS. TO AMEND CERTAIN PROVISIONS OF THE CHECK CASHER ACT RELATING TO POSTDATED OR DELAYED DEPOSIT CHECKS AND TO REMOVE THE SUNSET FROM THAT PROVISION.**

Amends various provisions of Article 22 ("Check- Cashing Businesses") of GS Ch. 53 to make clear that the article covers the business of paying a cash advance to a consumer in return for a check dated on the date it was written with the agreement to hold the check for a period of time prior to presentment or deposit (or accepting a postdated check and agreeing to hold it to that date for presentment or deposit), and defines such transactions as "deferred deposit transactions." (1) Raises the application fee for a check cashing license from the normal \$250 license and \$500 investigation fee to \$500 and \$1000, respectively, if the check cashing business will engage in deferred deposit transactions. (2) Sets out specific disclosures that must be included in a deferred deposit agreement with a consumer: (a) information on contacting the Comm'r of Banks; (b) statement that the consumer, while liable for a \$15 worthless check fee, may not be criminally prosecuted for a deferred deposit check returned for insufficient funds, and (c) statement that the consumer is entitled to seek consumer credit counseling. (3) Sets out a sliding scale for charges that may be made on deferred deposit transactions (13% of the cash advance for the first such transaction in a calendar year, 12% on the second, etc.). (4) Provides for a one-time extension of repayment of up to 14 days for an additional charge of up to 5% (further extensions, if made, must be made without additional consideration). (5) Sets a limit of two deferred deposit transactions with a single customer in a single quarter and no more than five in a calendar year. (6) Adds a prohibition against entering into a deferred deposit transaction with a consumer who has an aggregate of \$300 in such transactions outstanding with another lender (and adds an obligation to make reasonable inquiry to determine such). (7) Requires distribution of information to be prepared by the Comm'r of Banks before every deferred deposit transaction. (8) Prohibits use of criminal process to collect on a bad check in a deferred deposit transaction. (9) Prohibits a business from making more than one deferred deposit transaction with a customer at a time or holding more than one deferred check at a time. (10) Provides that any deferred deposit transaction made in violation of these provisions is void.

Effective Oct. 1, 2001; provisions (2) through (7) expire July 31, 2004.

**Intro. by Baddour.**

Ref. to Financial Inst	GS 53
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