

**HB 2089 STAFF MEASURE SUMMARY**

**Carrier:** Sen. Fagan

**Senate Committee On Judiciary**

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**Action Date:** 05/14/19

**Action:** Do pass.

**Vote:** 6-1-0-0

**Yeas:** 6 - Bentz, Fagan, Gelser, Manning Jr, Prozanski, Thatcher

**Nays:** 1 - Linthicum

**Fiscal:** No fiscal impact

**Revenue:** No revenue impact

**Prepared By:** Channa Newell, Counsel

**Meeting Dates:** 4/24, 5/14

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**WHAT THE MEASURE DOES:**

Prohibits payday loan lenders and title loan lenders from making loans to consumers who have not fully repaid outstanding payday loans or title loans. Requires a period of at least seven days between the time a consumer fully repays a previous payday loan or title loan and issuance of a new payday loan or title loan. Becomes operative January 1, 2020. Takes effect 91st day following adjournment sine die.

**ISSUES DISCUSSED:**

- Stacking of payday loans
- Origination fee capped at \$30 for loans over \$300
- Multiple small loans to reach total amount allows multiple origination fees
- Consumer may take loans from multiple lenders

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

Entities who provide payday loans or title loans are licensed by the Department of Consumer and Business Services (DCBS). Currently, a payday loan must be for a period of at least 31 days but no more than 60 days. A one-time origination fee of 10 percent, or up to \$30 total, may be assessed for new loans. Interest rates are limited to 36 percent annually and the total annual percentage rate (APR) is capped at 153.77 percent. Payday lenders and title loan lenders are required to give consumers a written loan agreement with clear explanations of the fees, percentage rates, payment due dates, and consequences for late payments or default. Loans can be renewed twice and new loans cannot be made until seven days after a current loan expires.

House Bill 2089 prohibits a payday lender or title loan lender from making a new loan to a consumer within seven days of an old loan being paid in full, rather than seven days after a loan expires.