HB531

167751-1

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RFD: Financial Services

First Read: 21-APR-15
SYNOPSIS: Under existing law, deferred presentment transactions, commonly referred to as payday loans, are regulated by the State Banking Department pursuant to the Deferred Presentment Services Act.

This bill would allow a customer to repay a deferred presentment transaction over a three-month period.

This bill would prohibit the extension of a deferred presentment transaction.

A BILL
TO BE ENTITLED
AN ACT

To amend Sections 5-18A-2, 5-18A-12, and 5-18A-13 of the Code of Alabama 1975, relating to deferred presentment transactions; to allow a customer to repay a deferred presentment transaction over a three-month period; to prohibit the extension of a deferred presentment transaction; to decrease the extended repayment option from four months to
three months; to allow licensees to collect a bad check fee for each bad check presented; to require each licensee to report within a specified time certain information to the supervisor and require the supervisor to publish the aggregated data to the public.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. Sections 5-18A-2, 5-18A-12, and 5-18A-13, Code of Alabama 1975, are amended to read as follows:

"§5-18A-2.

"As used in this chapter, the following terms shall have the following meanings:

"(1) CHECK. A debit authorization or a check signed by the maker and made payable to a person licensed under this chapter.

"(2) CONTINUOUS TRANSACTION. To extend a deferred presentment transaction with the same account without redemption in full with cash or guaranteed funds.

"(2) DEFERRED PRESENTMENT SERVICES. A transaction pursuant to a written agreement involving the following combination of activities in exchange for a fee:

"a. Accepting any check or authorization to debit a checking account and, in connection with that acceptance, advancing funds to the checking account holder.

"b. Holding the any check or authorization to debit checking account for a period of time prior to payment or deposit.

"(3) DEPARTMENT. The State Banking Department."
"(4) LICENSEE. A person licensed to provide deferred presentment services pursuant to this chapter.

"(5) PERSON. An individual, group of individuals, partnership, association, corporation, or any other business unit or legal entity.

"(6) ROLLOVER. Any deferred presentment transaction where the transaction is not paid in full and the licensee agrees to allow the customer to pay the fee only for a new deferred presentment transaction.

"(6) SUPERVISOR. The Supervisor of the Bureau of Loans or his or her designee.

"§5-18A-12.

"(a) Subject to the following subsections, every licensee under this chapter may charge and collect a maximum fee on any deferred presentment transaction not to exceed 17.5 percent of the amount advanced. The maximum amount that may be advanced in any deferred presentment transaction is five hundred dollars ($500).

"(b) Each licensee may renew or extend a deferred presentment transaction with the same customer no more than one additional time at this fee for a maximum of two continuous transactions. After two continuous transactions with the customer, the licensee shall not enter into a new deferred presentment transaction with that same customer until the next business day after the transaction amount is repaid in full. After the customer has redeemed the check or checks in full with cash or guaranteed funds, the licensee has the
same authority as any other licensee to enter into another
agreement for deferred presentment services with the customer
on another check or checks.

"(c) After the initial loan period and one rollover
with the same customer, the full outstanding amount of the
loan, including, but not limited to, any held check or debt
authorization, shall become due. If the customer is unable to
repay the outstanding balance in full, the licensee may offer
the customer an extended repayment option of four three equal
monthly installments of the remaining balance. The licensee
shall not commence any civil action to collect on a
transaction in default until written notice has been sent
notifying the customer of his or her rights. If the customer
fails to exercise his or her rights within 15 days of the
notice, the licensee may commence action to collect on a
transaction in default.

"(d) If there are insufficient funds to pay a any
check on the date of presentment, the licensee may charge a
fee for each check authorized in Section 8-8-15; however, only
one such fee may be collected with respect to any particular
transaction for each check. No other fees or charges of any
kind may be charged or collected from customers except those
authorized herein. No person shall use any device, subterfuge,
or pretense whatsoever, including, but not limited to, catalog
sales, discount vouchers, Internet instant-rebate programs,
phone card clubs, or any agreement, including agreements with
affiliated persons, with the intent to obtain greater charges than would otherwise be authorized by this chapter.


"(a) A licensee may not knowingly enter into a deferred presentment transaction with a customer that has outstanding deferred presentment transactions from any lender at any location that exceeds five hundred dollars ($500) for the term of the loan.

"(b) Before a licensee shall present for payment or deposit a any check or debit authorization accepted by the licensee, the check or checks shall be endorsed with the actual name under which the licensee is doing business.

"(c) Any agreement for a deferred presentment transaction shall be in writing and signed by the checking account holder. The customer in a deferred presentment contract shall have the right to redeem the any check or debit authorization from the licensee before the agreed date of deposit upon payment to the licensee of the amount of the contract. A licensee shall not defer presentment of any personal check or debit authorization for less than 10 days nor more than 31 calendar days six months after the date of the contract. Any agreement for a deferred presentment transaction shall allow a customer to repay the amount of the contract, including applicable fees, using three equal monthly payments over the term of the agreement. These payments may be made by check or debit authorization, as provided for by this chapter.
"(d) The licensee shall notify the district attorney for the circuit in which the check was received within five business days after being advised by the payer financial institution that a check or draft has been altered, forged, stolen, obtained through fraudulent or illegal means, negotiated without proper legal authority, or represents the proceeds of illegal activity. If a check or draft is returned to the licensee by the payer financial institution for any of these reasons, the licensee shall not release the check, draft, or money order without the consent of the district attorney or other investigating law enforcement authority.

"(e) A licensee shall comply with all provisions of state and federal law regarding cash transactions and cash transaction reporting.

"(f) A licensee shall provide each prospective customer, before consummation of the deferred presentment agreement, with a written explanation in clear, understandable language of the fees to be charged by the licensee and the date on which the check or debit authorization may be deposited or presented by the licensee. All fees associated with deferred presentment transactions shall be disclosed as finance charges as required by the Federal Truth-in-Lending Act, 15 U.S.C. §1605, its regulations, 12 C.F.R. Part 226, and Official Staff Commentary as adopted by the Federal Reserve Board. The supervisor may promulgate rules establishing additional requirements in order to assure complete and accurate disclosures. The customer, prior to entering into a
deferred presentment transaction, shall receive and acknowledge an accurate and complete notification and disclosure of the itemized and total amounts of all fees and other costs that will or potentially could be imposed as a result of such agreement. This subsection shall not create any inference that a particular method of disclosure was required prior to June 20, 2003. All customers will be notified in clear and conspicuous language that the any deferred presentment check or debit authorization after one rollover, will be subject to terms and conditions described in subsection (c) of Section 5-18A-12. The terms and conditions of the transaction shall be provided in the notification.

"(g) A licensee shall issue a copy of the written agreement to each person for whom a licensee defers deposit of a check or debit authorization. The written agreement shall include the information described in subsection (f) and the extended repayment program described in subsection (c) of Section 5-18A-12.

"(h) If a check is returned to the licensee from a payer financial institution due to insufficient funds or a closed account, the licensee shall have the right to all civil remedies allowed by law, except as provided for in Section 5-18A-12, to collect the check and may recover court costs and a reasonable attorney's fee. The attorney's fee may not exceed 15 percent of the face amount of the check or debit authorization. No individual who issues a personal check or authorizes a debit for his or her checking account to a
licensee for the purpose of a deferred presentment transaction under this chapter shall be convicted pursuant to Section 13A-9-13.1, if the check or debit authorization is returned due to insufficient funds. Checks or debit authorizations returned to the licensee due to a closed account may be collected pursuant to Section 13A-9-13.1.

"(i) No licensee may alter or delete the date on any check accepted by the licensee. No licensee may accept an undated check or debit authorization or a check or debit authorization dated on a date other than the date on which the licensee accepts the check or debit authorization.

"(j) No licensee shall engage in unfair or deceptive acts, practices, or advertising in the conduct of the licensed business.

"(k) No licensee shall require a customer to provide security for the transaction or require the customer to provide a guaranty from another person.

"(l) Each licensee shall pay all proceeds for any deferred presentment transaction in cash and directly to the customer.

"(m) Every licensee shall conspicuously and continuously display a schedule of all fees, charges, and penalties for all services provided by the licensee. The schedule of fees shall contain the following statement in all capital letters and in 12-point type or larger immediately above the space for the borrower's signature: NOTICE: FEES FOR
DEFERRED PRESENTMENT TRANSACTIONS MAY BE SIGNIFICANTLY HIGHER THAN FOR OTHER TYPES OF LOANS.

"(n) A deferred presentment provider shall not redeem, extend, or otherwise consolidate a deferred deposit agreement with the proceeds of another deferred presentment transaction made by the same or affiliated deferred presentment provider except as expressly provided in Section 5-18A-12.

"(o) The licensee shall use a third party private sector database, where available, to ensure that the customer does not have outstanding deferred presentment transactions that exceed five hundred dollars ($500)."

Section 2. This act shall become effective on the first day of the third month following its passage and approval by the Governor, or its otherwise becoming law.