



SUB. H.B. 123: A SUMMARY “FAIRNESS IN LENDING ACT”

Ensuring Loans are Affordable

- Loans limited to 30-day intervals with a maximum term of 12 months.
- Maximum principal for any loan is \$1,000.
- No loans under 90 days unless the monthly payment (monthly share of principal + fees and interest) is not more than 7% of a borrower’s monthly net income or 6% of their monthly gross income.
- Prohibits a borrower from having more than \$2,500 in outstanding principal.

Reducing the Cost of Loans

- Monthly maintenance fee is the lesser of 10% of the original principal or \$30.
- The cost of a loan (all fees + 28% maximum interest) cannot exceed 60% of the loan’s original principal.
- Permits a one-time 2% loan origination fee on loans \$500 or above in principal.
- Interest is calculated each month on the remaining principal.

Enhancing Consumer Protections

- Closes the CSO loophole.
- All loans under 90 days are mandated to be affordable.
- For loans 91 days or longer (that is, the borrower failed the means test for a shorter term), the lender must provide the borrower with a sample repayment schedule based on affordability.
- Extends the 24-hour rescission period from House version to 72 hours.
- Retains the House prohibition on title loans, balloon payments, and interest-only loans.
- Limits optional on-site check cashing fees for the loan to a maximum of \$10.
- Retains House requirement that all payments be substantially equal.
- Clarifies that a third party may pay off part or all of a borrower’s loan.
- Prohibits harassing phone calls from lenders.
- Requires the lender to provide information to the borrower both orally and in writing.

Last Updated: July 9, 2018