



C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

MEMORANDUM

To: All Idaho Licensed Payday Lenders
From: Michael Larsen, Consumer Finance Bureau Chief
Date: May 30, 2014
Re: Amendments to Idaho's Payday Loan Act – **Effective July 1, 2014**

The 2014 Idaho Legislature passed [S1314](#), significantly amending Idaho's Payday Loan Act (the Act). This Memorandum is to advise you of some key substantive amendments that go into effect on July 1, 2014. *You are encouraged to familiarize yourself with the amended Act to avoid compliance issues.*¹

EXTENDED PAYMENT PLAN

S1314 adds a new section to the Act to provide payday loan borrowers an opportunity, once per 12 consecutive month period, to transition a payday loan into an extended payment plan at no additional cost to the borrower (Idaho Code §28-46-414). The extended payment plan must provide for at least four (4) equal payments over a time period of not less than sixty (60) days. Rather than facing immediate collection efforts or a lawsuit, with the passage of S1314 Idaho payday loan borrowers will now have a 60-day time period to pay off a defaulted payday loan, and payday lenders are prohibited from taking action to collect against the borrower so long as the borrower adheres to the payment terms of the extended payment plan.

PAYDAY LOANS ARE NOW LIMITED TO 25 PERCENT OF A BORROWER'S GROSS MONTHLY INCOME

S1314 amends the Act to require that payday lenders "shall not make a payday loan that exceeds twenty five percent of the gross monthly income of the borrower when the loan is made" (Idaho Code § 28-46-413(2)). The Act already caps payday loans at \$1,000 so the Act now limits payday loans to the lesser of 25 percent of a borrower's gross monthly income or \$1,000.

LIMIT RE-PRESENTMENTS OF BORROWERS' CHECKS

S1314 limits to two (2) the number of times a payday lender may re-present a borrower's check, or its electronic equivalent, to a bank or credit union for payment (Idaho Code §28-46-412(8)). This provision is intended to prevent the escalation of non-sufficient funds fees against borrowers when checks, or their electronic equivalents, are presented for payment multiple times.

ENHANCED DISCLOSURES

S1314 adds three new disclosures and requires that all required disclosures under the Act be clearly, conspicuously, and timely disclosed to borrowers in **12-POINT BOLD AND CAPITALIZED TYPE**. The required disclosures are set forth on the following page.

¹ The Act, as amended by S1314, is available online at: <http://www.legislature.idaho.gov/legislation/2014/S1314.pdf>

Sample Idaho Payday Loan Disclosures

With the passage of S1314, before disbursing payday loan funds, payday lenders operating in Idaho must provide the following disclosures to borrowers in 12-point capitalized and bold type, as displayed in the following example (Items 4, 5, and 6 are three new disclosures per S1314):

- 1. PAYDAY LOANS ARE INTENDED TO ADDRESS SHORT-TERM, NOT LONG-TERM, FINANCIAL NEEDS;**
- 2. YOU WILL BE REQUIRED TO PAY ADDITIONAL FEES IF THE PAYDAY LOAN IS RENEWED RATHER THAN PAID IN FULL WHEN DUE;**
- 3. YOU HAVE THE RIGHT TO RESCIND THE PAYDAY LOAN AT NO COST NO LATER THAN THE END OF THE NEXT BUSINESS DAY FOLLOWING THE DAY ON WHICH THE PAYDAY LOAN IS MADE;**
- 4. PAYDAY LOANS MAY CONTAIN HIGH-COST FEATURES, AND BORROWERS SHOULD CONSIDER ALTERNATIVE LOWER-COST LOANS;**
- 5. IF YOU BELIEVE THAT THE LENDER HAS VIOLATED THE LAW, YOU MAY FILE A WRITTEN COMPLAINT WITH THE IDAHO DEPARTMENT OF FINANCE. FILING A COMPLAINT DOES NOT LIMIT NOR IMPAIR ANY RIGHTS YOU MAY HAVE AGAINST THE LENDER;**
- 6. YOU HAVE A ONE-TIME RIGHT DURING ANY CONSECUTIVE TWELVE (12) MONTH PERIOD TO CONVERT A PAYDAY LOAN INTO AN EXTENDED PAYMENT PLAN.**