

PAYDAY LOANS IN IDAHO CONTINUED. . .

Payday Loan Violations of the Act Continued

- Having outstanding payday loans to a borrower in excess of 25% of a borrower's gross monthly income or \$1,000, whichever is less
- Engaging in unfair or deceptive acts or practices in advertising or conducting business
- Accepting any property, title to property, or any other type of collateral, aside from a post-dated check or its electronic equivalent, for a payday loan
- Renewing a payday loan more than three (3) consecutive times. After three (3) renewals the loan must be paid in full before another payday loan is extended
- Imposing any other fee to a payday loan borrower other than the agreed-upon finance charge
- Failing to offer a 60-day extended payment plan with four (4) equal installment payments once per consecutive 12-month period for a payday loan borrower when requested by the borrower before the payday loan is in default
- Imposing any additional fee to a payday loan borrower during a required 60-day extended payment plan

The Idaho Department of Finance is the regulatory and licensing authority for entities whose activities are regulated by the Idaho Credit Code, Idaho Residential Mortgage Practices Act, Idaho Mortgage Company Act, and the Idaho Collection Agency Act. The goal of the Department is to assure the availability and quality of consumer financial services, and lawful debt collection practices in Idaho.

For Idahoans who have a complaint against a licensee, the Department offers a consumer affairs response program. The consumer affairs response program relies largely on the cooperation of both parties to resolve a dispute and complaints are often resolved through this process. However, as determined solely by the Department, complaints may also result in civil or administrative enforcement actions.

IDAHO DEPARTMENT OF FINANCE

MISSION STATEMENT

To aggressively promote access to vigorous, healthy and comprehensive financial services for Idaho citizens. This is accomplished through prudent and efficient oversight of financial institutions, investment opportunities and credit transactions.

IDAHO DEPARTMENT OF FINANCE

800 Park Boulevard, Suite 200

Boise, Idaho 83712

Telephone: (208) 332-8000

Toll Free in Idaho: (888) 346-3378

The Idaho Department of Finance maintains a list of its current licensees, including payday lenders, on its website (<http://finance.idaho.gov>).

STATE OF IDAHO
DEPARTMENT OF FINANCE

PAYDAY LOANS IN IDAHO

A BORROWER'S RIGHTS AND REMEDIES



Idaho Department of Finance

PAYDAY LOANS IN IDAHO



A payday loan is a cash advance secured by a personal check or electronic transfer authorization. Most payday loans work like this: Say you need to borrow \$100 for two weeks. You write a personal check for \$120; \$20 is the fee to borrow the money. The lender agrees to hold your check until your next payday. When that day arrives, either the lender deposits the check or you renew the loan and are charged \$20 more to extend the financing 14 more days. If you agree to electronic payments instead of a check on your next payday the lender would debit the full amount of the loan from your checking account electronically, or extend the loan for an additional \$20. The cost of the initial \$100 loan is a \$20 finance charge, which works out to an annual percentage rate of 521 percent. If you renew the loan three times, the finance charge would climb to \$80 to borrow the \$100.

Payday loans are regulated under the Idaho Credit Code by the Idaho Department of Finance. The Department of Finance urges borrowers who may be considering a payday loan to become aware of what their rights are under the law, and consider all choices and alternatives before entering into a contract.

ALTERNATIVES AND CHOICES:

Borrowers in need of cash may be wise to consider options and compare loan fees offered by other lenders before borrowing.

When shopping for a loan, borrowers should always look for the lowest annual percentage rate (APR). Payday loans are likely to include the highest APRs. Options for lower APRs may include:

- Banks, credit unions, or smaller loan companies
- Employers
- Local government programs
- Family members

If a payday loan is your chosen option, the Department cautions you to borrow only as much as you can afford to pay with your next paycheck and still

have enough to make it to the next payday. Payday loan fees average about \$20 for every \$100 borrowed for a fourteen day period. Annualized, that amounts to a 521 percent annual interest rate.

If you are unable to meet your payday loan obligation, contact your lender before your payday loan is in default and request a no-cost 60-day extended payment plan with at least four (4) equal installments which, by law, the payday lender is required to offer you once per 12 months. Borrowers also may want to seek the assistance of a licensed credit or debt counselor who can provide service to debtors in the management of their debts. Credit/debt counselors operating in Idaho are required to be licensed by the Idaho Department of Finance. A listing of licensed credit/debt counselors can be found on the Department's website at <http://finance.idaho.gov>.

PAYDAY LOAN REQUIREMENTS UNDER FEDERAL AND STATE LAW:

Payday lenders doing business in Idaho are regulated by the federal Truth in Lending Act (Regulation Z) and the Idaho Credit Code. Truth-in-Lending laws require disclosures to be made to borrowers in plain language and in a conspicuous manner. In addition, Truth-in-Lending requirements mirror many of Idaho's requirements as outlined below.

Idaho law requires the following from payday loan companies doing business in Idaho:

Payday lenders doing business in Idaho must be licensed before offering payday loans (A payday loan made in Idaho in violation of licensing requirements is void, uncollectable and unenforceable)

Payday loans are limited to 25% of a borrower's gross monthly income or \$1,000

Each licensee must post a notice of fee costs, expressed in a dollar amount as a cost per \$100

Payday lenders must provide the following disclosures to borrowers in 12-point capitalized and bold type:

- a. Payday loans are intended to address short-term, not long-term, financial needs;

- b. You will be required to pay additional fees if the payday loan is renewed rather than paid in full when due;
- c. 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;
- d. Payday loans may contain high-cost features, and borrowers should consider alternative lower-cost loans;
- e. 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; and
- f. You have a one-time right during any consecutive twelve (12) month period to convert a payday loan into an extended payment plan with no additional fees.

Payday lenders may charge an agreed-upon fee for a payday loan. That fee must be expressed in a dollar amount and annual percentage rate in the contract.

PAYDAY LOAN VIOLATIONS OF THE ACT:

Payday loan companies doing business in Idaho are prohibited from:

- Making a payday loan in Idaho in violation of Idaho's payday loan licensing requirements
- Making a payday loan to any borrower in an amount greater than 25% of the borrower's gross monthly income or \$1,000, whichever is less
- Accepting payment for a payday loan through the proceeds of another payday loan made by the same payday lender
- Making more than two (2) re-presentments of a borrower's check, or the electronic equivalent, to a financial institution for payment of the borrower's payday loan obligation