



GUIDANCE TO PAYDAY LENDERS OPERATING IN IDAHO REGARDING "EXTENDED PAYMENT PLANS"

To: Payday Lenders Operating in Idaho under the Idaho Credit Code
From: Michael Larsen, Consumer Finance Bureau Chief
Date: October 9, 2014
Re: Guidance to Payday Lenders Operating in Idaho Regarding Extended Payment Plans as Required by Idaho Code § 28-46-414

The 2014 Idaho Legislature passed [Senate Bill 1314](#) (S1314), which was signed by the Governor on March 16, 2014, and became law on July 1, 2014. Among other things, [S1314](#) amended Idaho's Payday Loan Act (the "Act" – [Idaho Code § 28-46-401 et seq.](#)) to include a new section ([Idaho Code § 28-46-414](#)) providing borrowers with an opportunity, once during any consecutive 12-month period, to transition a payday loan into an extended payment plan at no additional cost. This provides a viable repayment option to borrowers who are unable to pay off their payday loans on time. The extended payment plan, which must provide for at least four (4) equal payments over a time period of not less than sixty (60) days, must also be in writing and be executed no later than the day the payday loan is due.

The Legislature's purpose in amending the Act to include an extended payment plan provision was to provide Idaho payday loan borrowers with an affordable solution to pay off their payday loans without the threat of lawsuits or other collection efforts so long as they make timely payments under their extended payment plans.

In response to inquiries received from payday lender licensees regarding implementation of extended payment plans under the Act, the Department issues this Guidance, which will also serve as the standard by which the Department will review licensees' extended payment plans during the Department's compliance examinations.

Extended Payment Plans Must Provide Borrowers with a Reasonable Opportunity to Pay off a Payday Loan Debt Obligation

A. Example of Reasonable Extended Payment Plan

Joe's \$460 payday loan¹ obligation is due tomorrow. He has not requested an extended payment plan (Plan) during the prior twelve (12) months. Joe approaches his lender and requests a Plan. The Plan is written up and signed by Joe before his loan is in default. The Plan requires Joe to make four (4) payments over sixty (60) days as follows:

Extended Payment Plan: The first installment of \$115 is due on day 15 of the Plan, with three subsequent \$115 installments due on days 30, 45, and 60 of the Plan.

Reasonable or Not? The Department would consider the foregoing Plan as reasonable because it incorporates four equal installment payments covering Joe's debt over not less than sixty (60) days, and the installment payments are scheduled in a way that maximizes Joe's ability to utilize the Plan for its intended purpose of successfully paying off his payday loan debt.

Renew vs. Extend: In this scenario, Joe cannot afford the \$60 it would take to renew his payday loan.² But, he knows he can make his payments under the Plan, starting with his first payment of \$115 on day 15 of the Plan.

B. Example of an Extended Payment Plan that is Not Reasonable

Joe's \$460 payday loan³ obligation is due tomorrow. He has not requested an extended payment plan (Plan) during the prior twelve (12) months. Joe approaches his lender and requests a Plan. The lender timely offers a written Plan for Joe which requires Joe to make four (4) payments over not less than sixty (60) days as follows:

Extended Payment Plan: The first installment of \$115 is due on the first day of the Plan, with three subsequent \$115 installments due on days 21, 42, and 63 of the Plan.

¹ This assumes a \$400 payday loan with an associated payday loan finance fee of \$15 per hundred

² The Act allows up to three renewals on a payday loan

³ This assumes a \$400 payday loan with an associated payday loan finance fee of \$15 per hundred

Reasonable or Not?

The Department considers the foregoing Plan as not reasonable because although it incorporates four equal installment payments covering Joe's debt over not less than sixty (60) days, the installment payments are scheduled in a way that circumvents the purpose for extended payment plans in the first place. This Plan impedes Joe's ability to avoid a payday loan "debt trap." Extended payment plans were intended by the Idaho Legislature to provide a means for distressed borrowers to successfully pay off their payday loan debts. This Plan, as designed, ensures that borrowers fail in that effort.

Renew vs. Extend:

In this scenario, Joe cannot afford the \$60 it would take to renew his payday loan.⁴ Because he cannot afford to renew his payday loan for \$60, the payday lender already knows that Joe cannot make the \$115 payment on the first day of an extended payment plan. The only purpose in requiring an installment payment on day one of a Plan is to circumvent the intent of the Idaho Legislature's extended payment plan amendment to the Act. This Plan is designed by the lender to ensure that Joe will not be able to utilize it. Consequently, Joe may find himself in a "debt trap;" a troublesome outcome the Legislature sought to address by adopting the Act's extended payment plan provisions.

Conclusion

Extended Payment Plans must provide borrowers with a reasonable opportunity to pay off their payday loan debts.

It is the Department's position that offering an Extended Payment Plan that does not provide a borrower with a reasonable opportunity to pay off his or her payday loan debt is contrary to the intent of [Idaho Code § 28-46-414](#) and is an unfair act or practice under Idaho [Code § 28-46-413\(8\)](#). Examiners for the Department will review the extended payment plans of licensees under the Act, and will apply the foregoing standard in their compliance evaluations. The Department may pursue administrative or civil actions against payday lenders offering extended payment plans in Idaho that do not conform to this Guidance.

⁴ The Act allows a maximum of three renewals on a payday loan