

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2368

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DATE	D-PG	OFFICIAL STATUS
03/06/2014	5992	Introduction and first reading Referred to Commerce
03/27/2014	6913a 6937	Comm report: To pass as amended Second reading
03/31/2014	6939	Author added Hall
04/28/2014	7188 8328	Author stricken Hall HF substituted on General Orders HF2293

1.1 A bill for an act
 1.2 relating to commerce; regulating payday lending; amending Minnesota Statutes
 1.3 2012, section 47.601, subdivisions 1, 3.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2012, section 47.601, subdivision 1, is amended to read:

1.6 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in
 1.7 this subdivision have the meanings given.

1.8 (b) "Borrower" means an individual who obtains a consumer short-term loan
 1.9 primarily for personal, family, or household purposes.

1.10 (c) "Commissioner" means the commissioner of commerce.

1.11 (d) "Consumer short-term loan" means a loan to a borrower which has a principal
 1.12 amount, or an advance on a credit limit, of \$1,000 or less and requires a minimum
 1.13 payment within 60 days of loan origination or credit advance of more than 25 percent of
 1.14 the principal balance or credit advance. For the purposes of this section, each new advance
 1.15 of money to a borrower under a consumer short-term loan agreement constitutes a new
 1.16 consumer short-term loan. A "consumer short-term loan" does not include any transaction
 1.17 made under chapter 325J or a loan made by a consumer short-term lender where, in the
 1.18 event of default on the loan, the sole recourse for recovery of the amount owed, other than
 1.19 a lawsuit for damages for the debt, is to proceed against physical goods pledged by the
 1.20 borrower as collateral for the loan.

1.21 (e) "Consumer short-term lender" means an individual or entity engaged in the
 1.22 business of making, offering, or arranging consumer short-term loans, other than a state or
 1.23 federally chartered bank, savings bank, or credit union.

2.1 Sec. 2. Minnesota Statutes 2012, section 47.601, subdivision 3, is amended to read:

2.2 Subd. 3. **Debt collection Requirements; prohibitions.** (a) A consumer short-term
2.3 lender collecting or attempting to collect on an indebtedness in connection with a
2.4 consumer short-term loan must not engage in the prohibited debt collection practices
2.5 referenced in section 332.37.

2.6 (b) No consumer short-term lender shall make a consumer short-term loan without
2.7 first determining and documenting that the borrower has the ability to repay the loan. In
2.8 determining whether the borrower has the ability to repay the loan, the consumer short-term
2.9 lender must, at a minimum, verify the borrower's current and anticipated income.

2.10 (c) A consumer short-term lender may not make a consumer short-term loan to a
2.11 borrower that will cause a borrower to have had, as of the date of the loan and within the
2.12 immediately preceding 365 days more than eight consumer short-term loans.

2.13 (d) A consumer short-term lender may not make a consumer short-term loan to
2.14 a borrower if there has been less than 45 days since the borrower has paid in full any
2.15 previous consumer short-term loan.

2.16 (e) A consumer short-term lender must verify the total number of consumer
2.17 short-term loans taken by the borrower within the immediately preceding 365 days.
2.18 Verification must include utilization of a consumer reporting service.

2.19 For purposes of this subdivision, a "consumer reporting service" means an operated,
2.20 real-time, electronically accessible service that the commissioner determines to be
2.21 capable of providing a consumer short-term lender with adequate verification information
2.22 necessary to ensure compliance with this paragraph.

2.23 (f) A consumer short-term lender shall have a duty to promptly report each consumer
2.24 short-term loan transaction to the consumer reporting service.

2.25 (g) A consumer short-term lender shall have a duty to inquire whether the borrower
2.26 is a covered borrower, as defined in Code of Federal Regulations, title 32, section
2.27 232.3(c). No consumer short-term lender may make a consumer short-term loan to a
2.28 covered borrower:

2.29 (1) without first providing the disclosures required under Code of Federal
2.30 Regulations, title 32, section 232.5; or

2.31 (2) which violates any of the terms and conditions set forth in Code of Federal
2.32 Regulations, title 32, section 232.4, for the issuance of consumer credit, as defined in
2.33 Code of Federal Regulations, title 32, section 232.3(b), except that for purposes of this
2.34 subdivision, "consumer credit" includes open-end credit.

2.35 Sec. 3. **EFFECTIVE DATE.**

- 3.1 Sections 1 and 2 are effective January 1, 2015, and apply to consumer short-term
- 3.2 loans made on or after that date.