

RÉSUMÉ DIGEST

SB 381

2022 Regular Session

Ward

Proposed law would have created the "Louisiana Credit Access Loan Act".

Proposed law would have provided exceptions to applicability and provided definitions.

Proposed law would have provided for a consumer to gain access to a credit access loan from a licensee.

Proposed law would not have applied to deferred presentment transactions or small loans governed by the La. Deferred Presentment and Small Loan Act or any extension of credit made pursuant to or permissible under the La. Consumer Credit Law.

Proposed law would have defined a "credit access loan" as any interest-bearing loan payable in substantially equal installments, which satisfies all of the following criteria:

- (1) The loan is offered by a licensee to a borrower.
- (2) The loan includes a principal amount not exceeding \$1,500.
- (3) The loan includes a loan term of fewer than 90 days and not more than 365 days.

Proposed law would have provided that the terms of a credit access loan agreement shall satisfy all of the following criteria:

- (1) The agreement authorizes the borrower to rescind the agreement within one business day at no cost.
- (2) The agreement contains a disclosure notice to be written in at least 12-point, bold font stating that the borrower is entitled to cancel the transaction at no cost by notifying the lender of his intent to cancel the transaction by close of the business day immediately following the date the agreement is signed and by returning to the lender all loan proceeds.
- (3) The agreement contains a disclosure notice to be written in at least 16-point, bold font on the first page of each credit access loan agreement stating that the borrower may request an extended payment plan once every 12 months, if unable to pay the loan in full when due and provides the process to request an extended payment plan.

Proposed law would have provided that the disclosure notices shall also be visibly posted at each licensee location and on the homepage of the licensee's website.

Proposed law would have authorized the licensee to contract for and receive the following from a borrower:

- (1) A loan finance charge, calculated according to the actuarial method, not exceeding 36% per year on the unpaid balances of the principal.
- (2) A monthly maintenance fee not exceeding 13% of the principal amount originally contracted under certain circumstances.
- (3) Delinquency charges as authorized in present law.
- (4) Non-sufficient funds (NSF) charges.
- (5) An underwriting fee not exceeding \$50 but only when the principal amount originally contracted for is at least \$400.

Proposed law would have provided that all fees and charges imposed, except delinquency and NSF charges, shall be included in the calculation of the total amount of fees and charges and shall not exceed 100% of the original loan. Would have prohibited any other charges not specifically authorized by proposed law.

Proposed law would have provided requirements for verifying a borrower's income.

Proposed law would have provided that certain acts are prohibited by a licensee including the execution of a second device or agreement intended or designed to evade requirements, the inclusion of a hold harmless clause and confession of judgment clause in an agreement, electronic draft of funds from a borrower's account without specific consent, refusal of a partial loan payment of \$50 or more, and others. Proposed law would have provided the authority for enforcement with the office of financial institutions (OFI).

Proposed law would have provided that a licensee may charge and collect from the borrower a late penalty of no more than 10% of the delinquent amount but only when the terms of the penalty are clearly disclosed, in writing, in the credit access loan agreement and the borrower has failed to pay the delinquent amount within 10 days following the applicable due date.

Proposed law would have provided that the agreement may require that the borrower pay all costs awarded by a court, but only when the borrower has defaulted and the licensee has referred the matter to an attorney for collection.

Proposed law would have required OFI to promulgate rules necessary to implement and effectuate the purposes of proposed law within 180 days of proposed law becoming effective.

Would have become effective upon signature of the governor or lapse of time for gubernatorial action.

(Proposed to enact R.S. 51:1501-1506)

VETO MESSAGE:

"Please be advised that I have vetoed Senate Bill 381 of the 2022 Regular Session.

This bill is entitled the "Louisiana Credit Access Loan Act" and it purports to create additional loan opportunities for individuals who have difficulty obtaining loans through traditional banks. However, and despite the best efforts of the bill's author, I do not believe that this bill adequately protects the public from predatory lending practices. I have long been opposed to payday loan products which are designed to keep vulnerable individuals in debt, often times paying exponentially higher rates of interest than would otherwise be available at commercial banks. While I would be willing to support, and sign into law, a bill that reforms payday loans in a manner that provides appropriate safeguards on interest rates and fees, this bill unfortunately does not meet that standard."