



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 607 (Substitute S-1 as reported)
Senate Bill 719 (as reported without amendment)
Sponsor: Senator Darwin L. Booher
Committee: Banking and Financial Services

CONTENT

Senate Bill 607 (S-1) would amend the Deferred Presentment Service Transactions Act to specify that a deferred presentment service transaction would be closed if a customer's check were redeemed by a debit card payment, or if a returned check were collected by one or more telephone-initiated entries.

The Act governs deferred presentment service transactions, commonly known as payday lending, and requires a person to be licensed by the Department of Licensing and Regulatory Affairs in order to engage in the business of deferred presentment service transactions. The Act prohibits a licensee from entering into a deferred presentment service transaction with a customer if he or she has an open transaction with the licensee or has more than one open transaction with another licensee. A licensee must designate a transaction as closed when that occurs, and notify a database provider as required by the Act.

A transaction is considered "closed" when one of the events described in the Act occurs. Under the bill, a transaction also would be closed as described above.

The bill specifies that "redeem" would mean that the customer pays to the licensee an amount equal to the face amount of a check included in a deferred presentment service transaction, on or before the maturity date or after the check is deposited and returned unpaid by the drawee, and the licensee returns the check to the customer.

Senate Bill 719 would amend the Deferred Presentment Service Transactions Act to:

- Require a licensee to deposit a check held in connection with a deferred presentment service transaction if the check were not redeemed or exchanged, unless the drawer (the customer) had entered into a written repayment plan.
- Allow a licensee to collect the check through telephone-initiated entries if a check were deposited and returned unpaid, and certain requirements were met.
- Require a licensee to return a check, and specify the manner of return, if payment to satisfy an outstanding obligation were made.
- Specify that a licensee could accept a payment by debit card only if the drawer certified that the debit card drew funds from the same account as the check.

"Telephone-initiated entry" would mean a debit transaction to a drawer's account that is processed through an automated clearing house and initiated pursuant to an authorization obtained from the drawer orally by telephone.

The bills are tie-barred, and would take effect 90 days after their enactment.

MCL 487.2122 (S.B. 607)
487.2155 (S.B. 719)

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Date Completed: 1-27-15

Fiscal Analyst: Glenn Steffens

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.