



(To return to tulsaworld.com, hit the back button at the top of this page.)

House advances payday-loan legislation

By MARIE PRICE World Capitol Bureau
5/27/2004

[View in Print \(PDF\) Format](#)

The bill, which includes an installment payment plan, aims to help debt-saddled consumers.

OKLAHOMA CITY -- A bill that would modify consumer protections in the state's payday-loan law passed the House 74-21 on Wednesday.

Senate Bill 1565, which now heads to the governor's desk, would require that consumers be offered the option of a four-payment installment plan on their third consecutive loan.

It also would provide for a cooling-off period after a consumer has paid off five loans. Under the bill, lenders could not make another loan until 8 a.m. on the second business day after the fifth loan has been paid off.

"These new steps, coupled with the verification database of payday advance customers, puts Oklahoma ahead of the curve in offering consumers options while protecting borrowers," said Rep. Bill Nations, D-Norman, the principal author of the bill.

Rep. Al Lindley, D-Oklahoma City, debated against the measure.

"This was a bad, bad bill last year," he said. "It still makes it easy for people to get on that treadmill and never get off."

After a law intended to strengthen regulation of the industry was passed last year, approximately 380 payday-loan offices cropped up across Oklahoma.

Lindley said the measure should be returned to conference for the addition of more consumer safeguards.

Nations said the bill contains several options to allow consumers to break the credit cycle.

"There are more safeguards in this bill," he said. "This is the most comprehensive and restrictive bill in America."

Some consumer advocates disagree.

"A bill that was intended to add meaningful protections to the state's payday-lending law has been gutted in committee and transformed into little more than window-dressing," said David Humphreys, head of the Oklahoma Coalition of Consumer Advocates.

Steven Dow, executive director of the Community Action Project of Tulsa County, said the bill takes a step backward in consumer-protection law.

"This bill is being touted as a breakthrough for helping consumers, but the lofty claims just don't stand up to scrutiny," he said.

Among other changes, Dow said, the bill would allow lenders to charge borrowers a fee to cover the cost of a payday-loan database. Lenders would be required to check a database to see how many loans a consumer has taken out.

Dow also pointed out that the minimum term of a payday loan is reduced from 13 days to 12,

effectively raising the maximum allowable annual interest rate to 469 percent. He said this would make it harder for borrowers to repay loans and would encourage them to take out new ones.

The measure is not without good points, including the installment plan, said David Blatt, public policy director for the Community Action Project.

"However, these new protections are voluntary and depend heavily on the good faith of lenders," Blatt said. "While this provision will help some, we fear that few consumers will have the knowledge and understanding to exercise their right to an installment plan. Most will just keep on borrowing and borrowing and borrowing."

The bill also would assess lenders a 5-cent fee for each payday loan, to be deposited into a fund to be used to pay a consumer credit counseling provider to implement a voluntary counseling and education program.

The Consumer Credit Counseling Service of Central Oklahoma recently announced that it could no longer take applications for counseling from consumers about to take out a sixth loan, as current law requires. Officials said they were swamped with applications from people seeking the counseling certificates.

Marie Price (405) 528-2465
marie.price@tulsaworld.com

RELATED PHOTOS & GRAPHICS



Bill Nations

"There are more safeguards in this bill. This is the most comprehensive and restrictive bill in America."

[View in Print \(PDF\) Format](#)

[< Back](#)

Copyright © 2004, World Publishing Co. All rights reserved.