

Department of Legislative Services

Maryland General Assembly

2002 Session

FISCAL NOTESenate Joint Resolution 7 (Senator Lawlah, *et al.*)

Finance

Commerce and Government Matters

Consumer Protection - Payday Loan Prohibition

This joint resolution urges the Maryland Congressional Delegation to enact legislation that would prohibit an insured depository institution from making a payday loan either directly or through an agent or affiliate.

Fiscal Summary

State Effect: Compliance with this joint resolution would not directly affect State finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Under Maryland law, the maximum permissible annual interest rate for small loans (under \$6,000) varies with the amount of the loan, up to 33%. However, under federal law, a federally insured depository institution, whether federal or state-chartered, may charge the interest rate permitted in its home state to borrowers across state lines, regardless of the legal rate in the borrower's state.

Under Chapter 630 of 2000, a credit services business, its employees, and its independent contractors may not assist a consumer to obtain an extension of unsecured closed end credit at an interest rate which, except for federal preemption, would be prohibited under

the State's consumer credit provisions, including transactions in which a payment instrument is held to ensure payment.

Background: Chapter 932 of 1945, Maryland's law regarding small loans, was enacted in response to the practice common in the earlier part of the twentieth century of a lender structuring a consumer loan as a salary-purchase agreement in which the lender would buy the borrower's wages at a discount in advance of the borrower's payday.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

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