MISSOURI SENATE

JEFFERSON CITY

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Senator Keaveny Files Payday Loan Legislation

Bill Would Protect Missouri Consumers

JEFFERSON CITY — Senator Joe Keaveny, D-St. Louis, today filed legislation to protect Missouri consumers from the worst excesses of the payday loan industry. Sen. Keaveny's bill would place a cap on the amount of interest payday loan companies could charge consumers while increasing the amount of time consumers would have to repay the loan. The legislation also would prohibit payday lenders from advertising or providing payday loans at nursing homes, residential care facilities, assisted living facilities or skilled nursing homes.

"Missouri has more payday loan shops than any neighboring state except Tennessee, yet we have completely failed to regulate these businesses," Sen. Keaveny said. "As a result, Missouri consumers in need of quick cash become trapped by extraordinarily high interest rates."

Payday lenders are currently allowed to renew loans in Missouri repeatedly, which can lead to annual interest rates of nearly 2,000%. The Missouri Department of Finance reports the average annual interest rate charged by payday lenders in Missouri is 430%.

"These payday lenders are charging exorbitant interest rates to those who can least afford to pay them, causing additional poverty and widespread misery," Sen. Keaveny said. "If we can protect military families from these predatory lending practices, then surely we can protect hardworking Missouri families from the same practices."

Sen. Keaveny notes former US Congressman Jim Talent of Missouri sponsored federal legislation that limited payday loan rates for military families to 36% and prohibited renewal rollovers.

Rep. Mary Still, D-Columbia, is offering a companion bill in the Missouri House and recently held a forum in Columbia on the questionable activities of payday lenders in Missouri.

“Some of the stories we heard were very disturbing,” Still said. “Payday loans are faulty products that need to be regulated. When you take out a loan it should be to build something for the future, but these consumers are falling further behind.”

Under current Missouri law, consumer loans have a minimum term of 14 days and a maximum term of 31 days. Bills filed by Sen. Keaveny and Rep. Still would give the borrower a minimum of 90 days for repayment and require a payment every two weeks. The bills would cap the interest charged by payday lenders to a simple annual rate of no more than 36 %, plus an initial fee equal to 5% of the loan, up to $25. No other charges or fees would be permitted. The legislation also would empower the Attorney General to act on behalf of consumers if a payday lender fails to comply with state laws regarding consumer loans. Currently, that duty falls to the director of the Division of Finance.

Keaveny says the lack of payday loan regulations in Missouri has allowed the industry to thrive in Missouri, with the number of licenses in the state increasing by nearly 60% over the past six years.

“There’s a reason so many payday lenders have set up shop in Missouri,” Sen. Keaveny said. “We’ve allowed them to write their own rules and to charge whatever interest rate they can get away with. My legislation will ensure that consumers who patronize payday lenders will receive a fair product at a fair price.”

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