

SESSION OF 2004

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2685**

As Amended by House Committee on  
Financial Institutions

**Brief\***

HB 2685, as amended, concerns the regulation of payday loans. The bill:

- establishes a seven-day minimum term for any loan;
- limits the number of loans to three for any borrower within a 30-day period and requires lenders to keep a journal of all loan transactions which includes the name, address, telephone number of the borrower, and the date each loan is made and the date each is due;
- requires the lender, upon receipt of a check from the borrower, to immediately stamp the check with an endorsement that states: "Negotiated as part of a loan made under KSA 16a-2-404. Holder takes subject to claims and defenses of maker. No criminal prosecution."
- allows a borrower, under the terms specified, to rescind the transaction without cost not later than the end of the business day following the day on which the transaction was made;
- outlines a list of acts or practices prohibited in connection with a payday loan.

The House Committee amendment was technical and clarifying.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>



## **Background**

HB 2685 was recommended by the Bank Commissioner, whose Deputy Commissioner explained that the proposed changes will clarify and strengthen existing consumer protections contained in the law and represent reasonable regulatory requirements that do not place an unwarranted burden on the industry. The representative of the Kansas Payday Loan Association offered general support to the bill; however the Association is continuing discussions with the Banking Department on Section 12 provisions. A spokesperson for Sunflower Community Action also spoke in favor of the bill. A representative of El Centro, Inc., The Center for Continuous Family Improvement, expressed in writing a number of concerns about payday lending in general.

The fiscal note prepared by the Division of the Budget indicates that passage of the bill would have no fiscal impact other than the cost of a stamp to make the required endorsement.