

# Legislative Analysis



## PAYDAY LOAN INTEREST CAP

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**Senate Bill 632 as passed by the Senate**

**Sponsor: Sen. Sarah Anthony**

**House Committee: Insurance and Financial Services**

**Senate Committee: Finance, Insurance, and Consumer Protection**

**Complete to 4-17-24**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

Senate Bill 632 would amend the Deferred Presentment Service Transaction Act to limit the interest rate that can be charged on a deferred presentment transaction (i.e., a payday loan).

Currently, the act allows lenders to enter into one transaction of up to \$600 with a customer and charge a service fee for each \$100 increment of the loan. For a \$600 loan, the total service fee can be up to \$76. The act does not place a cap on interest rates.

The bill would eliminate the ability to charge a service fee and would cap the annual interest rate on payday loans at 36% annually. The annual percentage would be calculated as a military annual percentage rate under 32 CFR 232.4.<sup>1</sup>

The bill would also provide that any transaction that violated the provisions of limitations on payday loans under section 33 of the act, including the interest rate cap, would be void and unpayable.

The bill would take effect 90 days after it is enacted.

MCL 487.2153

### BACKGROUND:

The bill is identical to House Bill 5290 as it was introduced.

House Bill 4251 of the 2019-20 legislative session, which contained similar provisions, received a hearing but was not reported from committee.<sup>2</sup>

### FISCAL IMPACT:

Senate Bill 632 would not have a fiscal impact on any units of state or local government.

Legislative Analyst: Alex Stegbauer  
Fiscal Analyst: Marcus Coffin

---

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

<sup>1</sup> <https://www.ecfr.gov/current/title-32/subtitle-A/chapter-I/subchapter-M/part-232/section-232.4>

<sup>2</sup> <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2019-HB-4251>