

Deferred Presentment “Payday Loans”

A Deferred Presentment Service Transaction (often referred to as a payday loan) is a transaction where a customer borrows money for a service fee. No interest is charged on this transaction. The borrower writes a personal check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The company gives the borrower the amount of the check less the fee, and holds the customer’s check for a period of time (typically the next payday) before presentment to the customer’s bank, hence the name deferred presentment.

A payday loan can be a very expensive form of credit if you are not careful. Payday loans are not intended to meet long-term financial goals. Under Michigan law, you can have two payday loans open at any one time, but not more than one loan with the same payday lender. The maximum payday loan you can receive is \$600.00. The service fee cannot exceed the aggregate of: 15% for the first \$100.00, 14% for the second \$100.00, 13% for the third \$100.00, 12% for the fourth \$100.00, 11% for the fifth \$100.00, and 11% for the sixth \$100.00. For a loan in the amount of \$600, a service fee in the amount of \$76 may be charged. The table below breaks down the fee:

- 15% for the first \$100
- 14% for the second \$100
- 13% for the third \$100
- 12% for the fourth \$100
- 11% for the fifth \$100
- 11% for the sixth \$100

For a \$100 loan, the fee is calculated as: **\$15**

For a \$250 loan, the fee is calculated as: $\$15 + \$14 + \$6.50 = \mathbf{\$35.50}$

For a \$600 loan, the fee is calculated as: $\$15 + \$14 + \$13 + \$12 + \$11 + \$11 = \mathbf{\$76}$

The service fee is earned by the lender. All providers of Deferred Presentment Service Transactions must be licensed by the Department of Insurance and Financial Services (DIFS) with the exception of state and nationally chartered banks and credit unions. To verify if a provider is licensed, log onto www.michigan.gov/difs or call 877-999-6442. Be careful of “online payday lenders.” These lenders are typically not licensed to do business in the State of Michigan and generally charge interest rates well above the legal interest rate limits allowed in the state.

For further information on payday loans, see the Deferred Presentment Service Transactions FAQ on the DIFS website at http://www.michigan.gov/difs/0,5269,7-303-13648_60667_76246---,00.html or call 877-999-6442 to obtain a copy.