

Consumer Counselor

Financial Information for Michigan Consumers

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 check payable to the lender for the amount the person wants to borrow, plus the fee they must pay for borrowing. The lender gives the borrower the amount of the check, minus the fee, and holds the customer’s check for a period of time (typically until the next payday) before presenting the check to the customer’s bank, hence the name “deferred presentment.”

Fees

A payday loan can be a very expensive form of credit. Payday loans are not intended to meet long-term financial goals. Under Michigan law, a borrower 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 a borrower can receive is \$600.00.

A service fee and/or a database fee of \$0.61 can be charged by the payday lender. Below is a table that breaks down how much the payday lender can charge per \$100 along with how it will be calculated.

Service Fee	Amount of \$
15%	1 st \$100
14%	2 nd \$100
13%	3 rd \$100
12%	4 th \$100
11%	5 th \$100
11%	6 th \$100

Loan Amount	Fee calculated at:	Fee total:
\$100	\$15	\$15
\$250	15 + \$14 + \$6.50	\$35.50
\$600	\$15+\$14+\$13+\$12+\$11+\$11	\$76

All payday lenders must be licensed by the Michigan Department of Insurance and Financial Services (DIFS), except for state and nationally chartered banks and credit unions. To verify if a lender is licensed, visit the DIFS Licensee Locators at <https://DIFS.State.MI.US/Locators> or call 877-999-6442.



Repayment Period

Borrowers have until the end of the contract period to repay the loan and any applicable fees. If the loan and fees are not paid on time, the lender may deposit the borrower's personal check that was given at the time of the application.

Repayment Plan

If you have entered into eight deferred presentment transactions in any 12-month period and are unable to repay those loans, you are entitled to request a repayment plan that will allow you to pay off those loans in installments. The cost to enter a repayment plan is \$18.69, and plans are split into three payments based on your pay date. Once in a repayment plan, a borrower cannot take out another loan until the repayment plan is fulfilled. If the borrower is unsure how many loans they have entered into during the past 12 months, DIFS can verify this information for the consumer by calling 877-999-6442.

If a borrower does not qualify for a repayment plan, they should work with their payday lender to see if any other options are available. Please note, the lender is not obligated to offer alternative options.

Scams

Be careful of "online payday lenders." These lenders are typically not licensed to do business in Michigan and generally charge interest rates well above the legal interest rate limits allowed in the state.

More Information

For more information on payday loans, review the Deferred Presentment Service Transactions FAQs on DIFS website at Michigan.gov/DIFS or call 877-999-6442 to request a copy. If you believe a payday lender has violated the law, you should contact the lender in writing detailing your concerns and provide documentation supporting your complaint. Upon receipt of your complaint, the lender has three days to respond and notify you of its decision. Borrowers may also file a complaint with DIFS if they are unable to resolve their concerns when working directly with the payday lender by calling toll free 877-999-6442 or online at Michigan.gov/DIFScomplaints.

About DIFS

The mission of the Michigan Department of Insurance and Financial Services is to ensure access to safe and secure insurance and financial services fundamental for the opportunity, security, and success of Michigan residents, while fostering economic growth and sustainability in both industries. In addition, the Department provides consumer protection, outreach, and financial literacy and education services to Michigan residents. For more information please contact DIFS at 877-999-6442 or visit Michigan.gov/DIFS.

