

Payday Loan FAQs

What is a Payday Loan?

A payday loan is a deferred presentment service transaction. For a fee, the payday lender gives the customer a certain amount of money in exchange for a check in repayment of the cash advancement. The lender then holds the customer's check for a period of time (typically the next payday) before presentment to the customer's bank.

Are Payday Loans a loan?

No they are not loans. Payday loans should be viewed as a cash advancement. Customers borrow money for a service fee; and no interest is charged on the transaction.

What are the regulatory requirements for Payday Lenders?

All payday lenders must obtain a license to operate from the Office of Financial and Insurance Regulation (OFIR). A separate license is required for each location that provides payday lending services. Business entities providing payday lending services must post their license to operate and make them available on their website. Business entities providing payday lending services must comply with the provisions of the Deferred Presentment Service Transactions Act (DPSTA). All payday lenders in Michigan are regulated by OFIR.

What is the minimum term (period of time) that a payday lender can hold a customer's check before presentment to the bank for payment?

The minimum period of time is seven (7) calendar days that a payday lender can hold a check before presentment to the bank for payment.

What is the maximum term (period of time) that a payday lender can hold a customer's check before presentment to the bank for payment?

The maximum period of time that a payday lender can hold a customer's check before presentment to the bank for payment is thirty-one (31) calendar days, unless the customer is eligible for and has entered into a repayment plan.

How many payday loans can a consumer have open with one (1) payday lender at any one time?

A consumer may have one (1) payday loan open with one payday lender at any one time.

How many payday loans can a consumer have opened at any one time?

A consumer may have a total of two (2) payday loans open at any one time, but not more than one (1) loan with the same payday lender.

What is the maximum payday loan amount that a consumer can receive?

\$600 is the maximum payday loan amount a consumer can receive. A consumer can have two (2) separate open payday loans each in the amount of \$600 or less. However, no more than one (1) loan with the same lender.

Is the payday lender required to pay the proceeds from a loan to a consumer by check, money order, or in cash, as requested by the consumer?

Yes. Payday lenders are required to pay the consumer by check, money order, or in cash, as requested by the consumer.

Can a payday lender require a customer to accept the proceeds from a loan on a debit card?

No. A payday lender is prohibited from requiring a customer to accept the proceeds from a loan on a debit card.