SENATE BILL REPORT
SB 6250

As of January 29, 2026

Title: An act relating to the maximum principal amount of small loans.

Brief Description: Concerning the maximum principal amount of small loans.

Sponsors: Senators Kauffman and Nobles.

Brief History:
Committee Activity: Business, Trade & Economic Development: 1/29/26.

Brief Summary of Bill

- Increases the limit, from $700 to $1,200, of the maximum principal amount or total loan balance of small loans received by a borrower, subject to a specified cap on the borrower's gross monthly income.
- Requires the Department of Financial Institutions to annually adjust the limit based on changes in the Consumer Price Index for a specified area.

SENATE COMMITTEE ON BUSINESS, TRADE & ECONOMIC DEVELOPMENT

Staff: John Kim (786-7453)

Background: The Department of Financial Institutions (DFI) licenses and regulates check cashers and sellers. In addition to a license to cash or sell checks or drafts, a licensee may apply to DFI for an endorsement to make small loans, colloquially referred to as payday loans.

Small loans are subject to limitations including, but not limited to, the principal amount of a loan or total loan balance, the duration of a loan, the number of loans received by a borrower, and the interest or fees charged on the loan.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The maximum principal amount of any small loan, or the outstanding principal balances of all small loans made by all licensees to a single borrower at any one time, may not exceed $700 or 30 percent of the gross monthly income of the borrower, whichever is lower.

Summary of Bill: The $700 limit on a small loan or the outstanding principal balances of all small loans made by all licensees to a single borrower at any one time is raised to $1,200, subject to the 30 percent cap of the borrower's gross monthly income.

Beginning January 1, 2027, and annually thereafter, the $1,200 cap must be adjusted for inflation based upon changes in the Consumer Price Index. The Consumer Price Index is defined to mean the Consumer Price Index for all urban consumers, all items, for the Seattle area as calculated by the United States Bureau of Labor Statistics or its successor agency.

DFI must calculate the inflation-adjusted maximum principal amount of any small loan, or the outstanding principal balances of all small loans made by all licensees to a single borrower, at any one time by calculating to the nearest cent using the Consumer Price Index, and publish the information on its website and in a press release.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This updates our small loans to better reflect today's economy with the reality of inflation. It's about consumer protection. Washington has clear guardrails around small loans. This bill makes a targeted adjustment so that limits can keep pace with inflation and real world costs. There are many predatory alternatives out there.

Washington's statutory payday loan limit has not been updated in more than 30 years, despite dramatic increases in the cost of basic necessities. This is a reasonable adjustment so the limit is more reflective of today's actual purchasing power. $700 31 years ago would be the equivalent today of roughly $1,500 when adjusted for inflation. This will provide greater access to a safe legal credit option. It will not remove or alter any of the statutory safeguards.

CON: The Legislature passed reforms to the state payday lending laws in 2009 that curbed many of the industry's worst abuses. The reforms resulted in the proliferation of many less predatory alternatives. The industry doesn't want you to focus on the fact that payday loans have a 391 percent annual percentage rate.

The bill will squeeze those who are already having a hard time making ends meet. Eviction rates are at an all-time high in this state. Increasing the cap on a payday loan doesn't help people in financial stress; it just drives them into a worse situation. The bill doesn't reduce the interest rate of a small loan, which would make this bill more consumer-friendly.

The existing $700 cap is more than enough to meet the needs of existing payday loan borrowers. DFI's data shows the average payday loan in 2024 is $471, far short of the $700 cap. Since 2009, we haven't heard about struggles with payday loans because this Legislature passed regulations that worked well to protect consumers. Borrowers who take out the maximum 8 loans per year at the $700 limit are paying an annual $760 a year to lenders. Raising the cap to $1,200 would increase fees by 34 percent.

A few years ago I got a payday loan for $400. I didn't realize the loan was due two days before my next paycheck, so when I showed up after payday with the $400, they told me I owed $50 in a late fee and I couldn't make a partial payment, so I ended up paying $575. If the maximum loan they offered was $1,200, I wouldn't have been able to pay it back. This gives people too much leeway to overborrow and overextend themselves.

I am a Navy veteran and many of my friends in the military have borrowed up to the $700 limit and have gotten into trouble. I am fearful if we increase that limit, more of my friends are going to struggle. The problem is with the interest rates because they seem to roll over on that amount.

A borrower taking the full $1,200 would owe approximately $145 in fees alone. In two weeks, they must find $1,345 in their budget to settle the debt. For most low-income earners, this amount is impossible to cover rent, utilities, and groceries for the following month. This forces the borrower to immediately take out a second loan to cover deficits created by the first. This is the debt treadmill.

Our concern is not access to credit at any cost, but access to affordable and sustainable financial options.

Our research shows that when you rein in payday lending, borrowers are extremely resourceful and they find other alternatives quickly.

Payday loan services have a documented history of targeting communities of color.

This increase puts older adults on fixed incomes at financial risk. There are no additional consumer protections for individuals in this bill.

OTHER: The DFI recommends technical changes to the bill draft. First, we suggest striking language about calculating the year-end balance of outstanding loans because we believe the intent of the bill is simply to increase the limit on loans over time as inflation accrues. Second, we would like to publish the revised amount in the Washington State Register

rather than on our website because it has legal standing if published in the Register. Third, because the inflation adjustments are relatively small in terms of dollars over time, we suggest a longer interval for adjustments, perhaps biennially.

Persons Testifying: PRO: Senator Claudia Kauffman, Prime Sponsor; Trent Matson, Moneytree, Inc..

CON: Molly Gallagher, Statewide Poverty Action Network; Caesar Carter; Kristina Sawyckyj; Andrea Luquetta, Center for Responsible Lending; Denisse Guerrero, Washington Community Alliance; Cathleen McCaul, AARP; Demas Nesterenko, SEIU 775; Jake Garcia, Latino Community Fund; Julia Kellison, Northwest Justice Project; Michele Thomas, WA Low Income Housing Alliance.

OTHER: Drew Bouton, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: No one.