

MISSOURI YMCA YOUTH IN GOVERNMENT

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2008 EXECUTIVE BRANCH LEADERSHIP INSTITUTE POLICY ISSUE PROPOSAL

Department: DIFP

Division: Insurance - Market Regulation

Contact Name: Katy Lacy

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ISSUE QUESTION

Should Missouri prohibit the use of credit scores in determining an individual's auto and homeowner's insurance rates?

BACKGROUND INFORMATION / HISTORY

Currently, a person's credit score is one of many factors that can be used to determine the amount they are charged for auto and homeowner's insurance. It is likely that those with lower scores will be charged more for insurance. While some see this practice as unfair or even a form of discrimination. Insurers say there is a strong correlation between credit scores and claims: the worse the score, the more likely an insured person is to file a claim.

ISSUES TO CONSIDER

If credit score usage is banned will rates go up for all customers? What correlation is there between a lower credit score and submitting more insurance claims? What determines a person's credit score? Is this a form of discrimination?

RESOURCES

1. Current Missouri statutes and proposed legislation (HB 1557)
2. Current statutes and proposed legislation from other states
3. News articles, and on-line information

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Policy Issue Proposal Deadline: February 11, 2008

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2008 EXECUTIVE BRANCH LEADERSHIP INSTITUTE POLICY ISSUE PROPOSAL

Department: DIFP

Division: Finance

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ISSUE QUESTION

Should Missouri put stricter limitations on the maximum loan amounts, term lengths, interest rates, and renewals of unsecured loans of \$500 or less, commonly referred to as "payday loans"?

BACKGROUND INFORMATION / HISTORY

Current Missouri law states that the principal loan amount cannot exceed \$500 borrowed for a term of 14-31 days. Total fees, including rollovers, cannot exceed 75% of the initial loan amount. Instead of paying off the loan, the borrower has the option to renew it up to six times, but they must pay at least five percent of the balance with each renewal. Many feel as though payday lenders take advantage of lower-income individuals who are unable to obtain traditional loans because of poor credit scores.

ISSUES TO CONSIDER

If payday loans are more strictly regulated will lower-income consumers with poor credit scores be able to receive loans? Are there benefits to payday loans? Will stricter regulation cut-down the number of payday loans made, or the number of loans defaulted upon?

RESOURCES

1. Current Missouri statutes and proposed legislation
2. Current statutes from other states
3. News articles, and on-line information

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