



GOVERNOR OF MISSOURI

JEFFERSON CITY

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JEREMIAH W. (JAY) NIXON  
GOVERNOR

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July 10, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you Senate Substitute for Senate Bill No. 866 entitled:

AN ACT

To amend chapter 408, RSMo, by adding thereto one new section relating to installment loan lenders.

I disapprove of Senate Substitute for Senate Bill No. 866. My reasons for disapproval are as follows:

Senate Substitute for Senate Bill No. 866 would create a new term to describe a short-term lender not licensed as a bank or credit union—a “traditional installment lender”—and would restrict the authority of local governments with respect to such entities. Because this change would unduly interfere with local control, the bill does not receive my approval.

The new classification “traditional installment lenders” sought to be established in Senate Substitute for Senate Bill No. 866 would cover two types of consumer lenders licensed by the state—consumer installment lenders and small loan companies. Small loan companies can make loans of \$500 and over, while consumer installment lenders can make loans of any amount, but the loans must be repaid in at least four installments over at least 120 days. There are no restrictions on the interest consumer installment lenders or small loan companies can impose and just last year the General Assembly increased the maximum amount of origination fees consumer installment lenders and small loan companies can charge. *See* Senate Committee Substitute for House Bill No. 329 (2013).

A number of Missouri municipalities have enacted ordinances that impose zoning, permitting, and other restrictions on short-term, small loan lenders.<sup>1</sup> For example, the City of Kansas City enacted an ordinance in 2007 regulating “short-term loan establishments” and broadened its ordinance in 2011 to specifically regulate consumer installment lenders. Kansas City was able

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<sup>1</sup> Communities such as Arnold, Bellefontaine Neighbors, Berkeley, Blue Springs, Independence, Kansas City, St. Ann, St. Louis, and Valley Park have enacted such ordinances that could be preempted under this bill.

to successfully defend this ordinance against court challenge brought by one of the regulated lenders. Perhaps recognizing this legislation as an assault on their authority to maintain this ordinance, the City of Kansas City was able to obtain a carve-out from the restrictions of this bill.

Unfortunately, the rest of Missouri's political subdivisions were not so fortunate, since Senate Substitute for Senate Bill No. 866 would preempt any existing charter provision or ordinance that does not "expressly apply" to "traditional installment lenders" as of August 28, 2014. Because this bill would also be creating the new label of "traditional installment lenders," it is highly unlikely that any current ordinances or charter provisions "expressly apply" to such newly-christened lenders. Moreover, Senate Substitute for Senate Bill No. 866 would also prevent communities from modifying current ordinances or charter provisions to address this type of lender in the future because such ordinances or charter provisions would not have been in effect prior to the effective date of the bill.

Because it would erode local control in areas such as zoning that fall squarely fall within the traditional police powers of local communities, Senate Substitute for Senate Bill No. 866 does not receive my approval.

In accordance with the above stated reasons for disapproval, I am returning Senate Substitute for Senate Bill No. 866 without my approval.

Respectfully submitted,



Jeremiah W. (Jay) Nixon  
Governor