

HB 2677 -- TRADITIONAL INSTALLMENT LOANS

SPONSOR: Dugger

This bill creates new provisions relating to traditional installment loans. A traditional installment loan is defined as a fixed-rate, fully-amortized, closed-end extension of a direct consumer loan. Lenders seeking to operate a supervised business to issue traditional installment loans are required to pay a \$500 annual fee for each location and register with the Commissioner of Finance of the Department of Insurance, Financial Institutions, and Professional Registration to receive a license for each place of business. The Commissioner can investigate all books and records of the supervised business and can examine persons under oath if the testimony of such person is relative to the business of the lender.

A lender can contract for and receive interest and fees on the unpaid principal balance at rates agreed to by the parties of the loan. A lender can charge a fee not to exceed 10% of the principal amount loaned or \$100. Late fees can be charged on any payment in default for 15 days or longer. Such fee cannot exceed 5% of the payment due or \$15, but never more than \$50. A lender can charge a handling fee of no more than \$25 for instruments refused by any institution, in addition to charges assessed by such institution. Contracts can further provide for the assessment of attorney's fees and court costs.

The bill allows a refund of interest paid if a party prepays in full the amount of interest on a traditional installment loan one month or more before the final installment date. The bill further provides several courses of remedies for traditional installment loan lenders in the event of default by a borrower.

Lenders who do not comply with the provisions of this bill, or commit any criminal act, may have their license suspended or revoked after a hearing before the Commissioner. The Commissioner can issue a cease and desist order enforceable by a civil penalty of no more than \$1,000 per day of non-compliance, at the discretion of the Commissioner.