

SB 83 -- SALE OF DEFICIENCY WAIVER ADDENDUMS

SPONSOR: Pearce (Wells)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Institutions by a vote of 14 to 0.

This bill authorizes the sale of a deficiency waiver addendum, a guaranteed asset protection, or a similar product as part of certain consumer loans, second mortgage loans, or retail credit sales if the product is purchased with collateral. The borrower must consent to the purchase in writing and acknowledge receipt of the required disclosures. The cost of the product must be reasonable and disclosed in the loan contract. Each deficiency waiver addendum, guaranteed asset protection, or other similar product must provide that in the event of the termination of the product prior to the scheduled maturity date of the indebtedness, any refund must be paid or credited promptly to the debtor, except a refund of less than \$1 does not need to be made. The pro rata method must be used in computing the refund.

A debtor may cancel a product within 15 days of its purchase and receive a complete refund or credit of the premium. This information must be specified in the loan contract or in a separate written disclosure at the time the debt is incurred in 10-point type in a manner reasonably calculated to inform the debtor of this right.

FISCAL NOTE: No impact on state funds in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters say that the bill will provide consumers greater protections when purchasing these products and allow the industry to be better regulated.

Testifying for the bill were Senator Parson for Senator Pearce; Missouri Bankers Association; and Missouri Credit Union Association.

OPPOSERS: There was no opposition voiced to the committee.