

1 AN ACT relating to consumer loan companies.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 286.4-530 is amended to read as follows:

4 (1) **(a)** Every licensee may lend any sum of money not exceeding fifteen thousand  
5 dollars (\$15,000), excluding charges, and may charge, contract for, and  
6 receive thereon charges not in excess of:

7 **1.** Three percent (3%) per month on **the portion of**~~[any loan where]~~ the  
8 original principal amount of the loan **that** is not in excess of three  
9 thousand dollars (\$3,000);

10 **2.** **Two and one-half percent (2.5%)**~~[and two percent (2%)]~~ per month on  
11 **the portion of**~~[any loan where]~~ the original principal amount of the loan  
12 **that** exceeds three thousand dollars (\$3,000) **but is not in excess of ten**  
13 **thousand dollars (\$10,000); and**

14 **3.** **Two percent (2%) per month on the portion of the original principal**  
15 **amount of the loan that exceeds ten thousand dollars (\$10,000).**

16 **(b)** ~~The~~~~[Such]~~ charges shall be computed in advance at the agreed rate on  
17 scheduled unpaid principal balances of the cash advance on the assumption  
18 that all scheduled payments will be made when due. The total amount of  
19 ~~such~~ precomputed charges shall be added to the original cash advance and the  
20 resulting sum shall become the face amount of the note. Every payment may  
21 be applied to the combined total of the cash advance and precomputed charges  
22 until the contract is paid in full.

23 (2) **(a)** For the purposes of computation, whether at the maximum rate or less:~~[,]~~

24 **1.** A month shall be that period of time from any date in a month to the  
25 corresponding date in the next month and if there is no~~[such]~~  
26 corresponding date **in the next month** then to the last day of **that**~~[such]~~  
27 month:~~[,]~~ and

1           2. A day shall be considered one-thirtieth (1/30) of a month when  
2            ~~the~~<sup>[such]</sup> computation is made for a fraction of a month.

3           **(b)** The portion of the charges applicable to any particular monthly installment  
4           period, as originally scheduled or following a deferment, shall bear the same  
5           ratio to the total charges, excluding any adjustments made pursuant to  
6           subsection (3) of this section, as the balance scheduled to be outstanding  
7           during that monthly period bears to the sum of all monthly balances scheduled  
8           originally by the loan contract~~[of loan]~~.

9           (3) A licensee and borrower may agree that the first installment date may not exceed~~be~~  
10          ~~not more than~~ fifteen (15) days more than one (1) month and the amount of the  
11          first<sup>[such]</sup> installment may be increased by one-thirtieth (1/30) of the portion of the  
12          charges applicable to a first installment period of one (1) month for each extra day.

13          (4) If one-half (1/2) or more of any installment remains unpaid more than seven (7)  
14          days after it is due, the licensee may charge and collect a default charge not  
15          exceeding two cents (2¢) for each dollar of the scheduled installment, and  
16          this<sup>[such]</sup> charge may be collected for each full month the installment remains  
17          unpaid.

18          (5) **(a)** If the payment of all wholly unpaid installments on which no default charge  
19          has been collected is deferred one (1) or more full months, the licensee may  
20          charge and collect a deferment charge not exceeding two cents (2¢) for each  
21          one dollar (\$1) of the sum of the installments so deferred, multiplied by the  
22          number of months the maturity of the contract is extended, except the~~;~~  
23          ~~provided, however, that such~~ number of months extended shall not exceed  
24          the number of installments which are due and wholly unpaid or due within  
25          fifteen (15) days from the date of deferment.

26          **(b)** The deferment charge may be collected at the time of deferment or at any time  
27          thereafter.

1        (c) Any payment received at the time of deferment may be applied first to the  
 2        deferment charge and the remainder, if any, applied to the unpaid balance of  
 3        the contract, except~~[-; provided, however, that]~~ if the~~[such]~~ payment is  
 4        sufficient to pay, in addition to the appropriate deferment charge, any  
 5        installment which is in default and the applicable default charge, it shall be  
 6        first so applied and that~~[any such]~~ installment shall not be deferred or subject  
 7        to the deferment charge.

8        (d) At the time a deferment is made, the borrower shall be given a statement or  
 9        receipt showing:

10        1. The amount of the deferment charge;~~[-]~~

11        2. The date and amount of the next scheduled payment;~~[-]~~ and

12        3. The number of remaining scheduled payments.

13        (6) If the loan contract~~[- of loan]~~ is prepaid in full by cash, a new loan, or otherwise  
 14        before the final installment date, the portion of the charges applicable to the full  
 15        installment periods following the installment date nearest the date of prepayment  
 16        shall be refunded. Any default or deferment charges which are due and unpaid may  
 17        be deducted from the~~[such]~~ refund. Any~~[The]~~ tender made by the borrower or at his  
 18        or her request of an amount equal to the unpaid balance less the required refund  
 19        shall~~[must]~~ be accepted by the licensee in full payment of the contract. If judgment  
 20        is obtained before the final installment date, the contract balance shall be reduced  
 21        by the refund which would be required for prepayment in full as of the date  
 22        judgment is obtained. No refund of less than one dollar (\$1) need be made; no  
 23        refund for partial prepayments need be made.

24        (7) If two (2) or more full installments are in default for one (1) full month or more at  
 25        any installment date and if the contract so provides, the licensee may reduce the  
 26        contract balance by the refund or credit which would be required for prepayment in  
 27        full on the~~[such]~~ installment date. Thereafter, in lieu of charging, collecting, or

1 receiving charges as provided in subsections (1) to (6)~~[inclusive]~~ of this section,  
 2 charges may be charged, collected, and received as provided by subsection (8) of  
 3 this section until the contract is fully paid.

4 (8) In lieu of computing and collecting charges as provided in subsections (1) to (6)~~[~~  
 5 ~~inclusive]~~ of this section, a licensee may contract for, collect, and receive on loans  
 6 of fifteen thousand dollars (\$15,000) or less charges as permitted in subsection (1)  
 7 of this section computed on the unpaid principal balance of the loan from time to  
 8 time outstanding. ***These***~~[Such]~~ charges shall not be paid, deducted, received in  
 9 advance, or compounded but shall be computed, collected, and received only on  
 10 unpaid principal balances for the time actually outstanding. The definition of a  
 11 month and of a day in subsection (2) of this section shall apply for the purposes of  
 12 ***these***~~[such]~~ computations.

13 (9) If part or all of the consideration for a ***loan*** contract~~[of loan]~~ is the unpaid principal  
 14 balance of a prior loan with the same licensee, then the principal amount payable  
 15 under ***the new loan***~~[such]~~ contract~~[of loan]~~ shall not include any unpaid charges on  
 16 the prior loan except ***those***~~[such]~~ charges which have accrued within sixty (60) days  
 17 before the making of ***the***~~[such]~~ new ***loan*** contract~~[of loan]~~ and may include the  
 18 balance remaining ***on the prior loan*** after giving the refund required by subsection  
 19 (6) of this section.

20 (10) ***(a)*** In addition to the charges provided for in this subtitle, no further charge or  
 21 amount whatsoever for any examination, service, brokerage, commission,  
 22 expense, fee,~~[or]~~ bonus, or other thing shall be directly or indirectly charged,  
 23 contracted for, or received, except:

24 ***1.*** The lawful fees actually and necessarily paid out by the licensee to any  
 25 public official for filing, recording, or releasing in any public office any  
 26 instrument securing the loan;

27 ***2.*** The identifiable charge of premium for insurance provided for in KRS

1 286.4-560; ~~and~~

2 **3.** Fees for noting or releasing a lien on or transferring a certificate of title  
3 to any motor vehicle offered as security for a loan made under this  
4 subtitle.

5 **(b)** If any amount in excess of the amounts authorized by this subtitle is charged,  
6 contracted for, or received, except as the result of an accidental or bona fide  
7 error, the lender shall have no right to collect or receive any charges  
8 whatsoever.

9 (11) No licensee shall induce or permit any borrower to split up or divide any loan nor  
10 permit any one (1) borrower to become indebted to him under more than one (1)  
11 **loan** contract ~~of loan~~ at the same time if the actual amount of the indebtedness on  
12 any one (1) of **these** ~~such~~ contracts is in the amount or of the value of fifteen  
13 thousand dollars (\$15,000) or less and there is charged, contracted for, or received  
14 thereon, directly or indirectly, by any device, subterfuge, or pretense whatsoever,  
15 any interest ~~or~~ or consideration therefor greater than would otherwise be permitted  
16 by this subtitle.

17 (12) No licensee shall directly or indirectly charge, contract for, or receive any interest or  
18 consideration greater than the lender would be permitted by law to charge if he were  
19 not a licensee ~~hereunder~~ upon any loan in the amount or of the value of more than  
20 fifteen thousand dollars (\$15,000) excluding charges, or in any case in which the  
21 licensee permits any individual as borrower, indorser, guarantor, or surety for any  
22 borrower, or otherwise, to owe on any loan or loans directly or contingently, or  
23 both, to the licensee at any time the sum of more than fifteen thousand dollars  
24 (\$15,000) for principal, excluding charges.