

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 **five**~~three~~
9 thousand dollars (**\$5,000**~~[\$3,000]~~); and

10 **2.** Two **and one-third** percent (**2-1/3%**~~[2%]~~) per month on **the portion**
11 **of**~~any loan where~~ the original principal amount of the loan **that**
12 exceeds **five**~~three~~ thousand dollars (**\$5,000**~~[\$3,000]~~).

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

20 (2) **(a)** For the purposes of computation, whether at the maximum rate or less:~~;~~

21 **1.** A month shall be that period of time from any date in a month to the
22 corresponding date in the next month and if there is no ~~such~~
23 corresponding date **in the next month** then to the last day of **that**~~such~~
24 month:~~;~~ and

25 **2.** A day shall be considered one-thirtieth (1/30) of a month when
26 **the**~~such~~ computation is made for a fraction of a month.

27 **(b)** The portion of the charges applicable to any particular monthly installment

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

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

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

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

23 (b) The deferment charge may be collected at the time of deferment or at any time
24 thereafter.

25 (c) Any payment received at the time of deferment may be applied first to the
26 deferment charge and the remainder, if any, applied to the unpaid balance of
27 the contract, except~~;~~ ~~provided, however, that~~ if the~~[such]~~ payment is

1 sufficient to pay, in addition to the appropriate deferment charge, any
 2 installment which is in default and the applicable default charge, it shall be
 3 first so applied and ~~that any such~~ installment shall not be deferred or subject
 4 to the deferment charge.

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

7 **1.** The amount of the deferment charge;~~;~~

8 **2.** The date and amount of the next scheduled payment;~~;~~ and

9 **3.** The number of remaining scheduled payments.

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

21 (7) If two (2) or more full installments are in default for one (1) full month or more at
 22 any installment date and if the contract so provides, the licensee may reduce the
 23 contract balance by the refund or credit which would be required for prepayment in
 24 full on ~~the~~ ~~such~~ installment date. Thereafter, in lieu of charging, collecting, or
 25 receiving charges as provided in subsections (1) to (6) ~~inclusive~~ of this section,
 26 charges may be charged, collected, and received as provided by subsection (8) of
 27 this section until the contract is fully paid.

- 1 (8) In lieu of computing and collecting charges as provided in subsections (1) to (6)~~]~~
 2 ~~inclusive]~~ of this section, a licensee may contract for, collect, and receive on loans
 3 of fifteen thousand dollars (\$15,000) or less charges as permitted in subsection (1)
 4 of this section computed on the unpaid principal balance of the loan from time to
 5 time outstanding. **These**~~[Such]~~ charges shall not be paid, deducted, received in
 6 advance, or compounded but shall be computed, collected, and received only on
 7 unpaid principal balances for the time actually outstanding. The definition of a
 8 month and of a day in subsection (2) of this section shall apply for the purposes of
 9 **these**~~[such]~~ computations.
- 10 (9) If part or all of the consideration for a **loan** contract~~[of loan]~~ is the unpaid principal
 11 balance of a prior loan with the same licensee, then the principal amount payable
 12 under **the new loan**~~[such]~~ contract~~[of loan]~~ shall not include any unpaid charges on
 13 the prior loan except **those**~~[such]~~ charges which have accrued within sixty (60) days
 14 before the making of **the**~~[such]~~ new **loan** contract~~[of loan]~~ and may include the
 15 balance remaining **on the prior loan** after giving the refund required by subsection
 16 (6) of this section.
- 17 (10) **(a)** In addition to the charges provided for in this subtitle, no further charge or
 18 amount whatsoever for any examination, service, brokerage, commission,
 19 expense, fee,~~[or]~~ bonus, or other thing shall be directly or indirectly charged,
 20 contracted for, or received, except:
- 21 **1.** The lawful fees actually and necessarily paid out by the licensee to any
 22 public official for filing, recording, or releasing in any public office any
 23 instrument securing the loan;
 - 24 **2.** The identifiable charge of premium for insurance provided for in KRS
 25 286.4-560; **and**~~[or]~~
 - 26 **3.** Fees for noting or releasing a lien on or transferring a certificate of title
 27 to any motor vehicle offered as security for a loan made under this

1 subtitle.

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

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

14 (12) No licensee shall directly or indirectly charge, contract for, or receive any interest or
15 consideration greater than the lender would be permitted by law to charge if he were
16 not a licensee:~~[hereunder]~~

17 **(a)** Upon any loan in the amount or of the value of more than fifteen thousand
18 dollars (\$15,000),~~]~~ excluding charges:~~[,]~~ or

19 **(b)** In any case in which the licensee permits any individual as borrower, indorser,
20 guarantor, or surety for any borrower, or otherwise, to owe on any loan or
21 loans directly or contingently, or both, to the licensee at any time the sum of
22 more than fifteen thousand dollars (\$15,000) for principal, excluding charges.

23 ➔Section 2. KRS 286.4-533 is amended to read as follows:

24 Notwithstanding the provisions of KRS 286.4-530(10) or of any other law, in any
25 extension of credit in accordance with this subtitle, the licensee may charge and collect
26 the following:

27 (1) A fee, or premium for insurance, in lieu of perfecting a security interest to the extent

- 1 that the fee or premium does not exceed the fee payable to public officials for
2 perfecting the security interest;
- 3 (2) A bad check charge of twenty-five dollars (\$25)~~[,]~~ or the amount passed on from
4 other financial institutions, whichever is greater, for any check, draft, negotiable
5 order of withdrawal, or like instrument returned or dishonored for any reason by a
6 depository institution, which charge the licensee may charge and collect~~[,]~~ through
7 regular billing procedures, or otherwise, from the borrower;
- 8 (3) A reasonable attorney's fee, in connection with the collection of a loan, actually
9 incurred by the licensee and paid to an attorney who is not an employee of the
10 licensee;
- 11 (4) A loan processing fee of five percent (5%) of the original principal amount of the
12 loan. This charge shall be limited to a maximum of one hundred fifty dollars (\$150).
13 Any charge collected up to and including seventy-five~~[fifty]~~ dollars (\$75~~[\$50]~~) shall
14 be nonrefundable. In the event of prepayment, any loan processing fee above
15 seventy-five~~[fifty]~~ dollars (\$75~~[\$50]~~) shall be subject to refund in the same manner
16 as other charges pursuant to KRS 286.4-530(6). A loan processing fee may only be
17 charged once on a loan or refinance within any ninety (90) day period;
- 18 (5) An alternative to the default charge described in KRS 286.4-530(4), not to exceed
19 five percent (5%) of each scheduled installment~~[,]~~ or fifteen dollars (\$15),
20 whichever is greater. Only one (1) charge may be collected for each scheduled
21 installment; and
- 22 (6) Costs or other expenses authorized for a secured party in accordance with KRS
23 355.9-207 and 355.9-607.