AN ACT relating to consumer loan companies.

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

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

(1) ***(a)*** Every licensee may lend any sum of money not exceeding fifteen thousand dollars ($15,000), excluding charges, and may charge, contract for, and receive ***on any loan***~~[thereon]~~ charges not in excess of***:***

1. If the original principal amount of the loan, excluding charges, does not exceed five thousand dollars ($5,000), three percent (3%) per month on***:***~~[any loan where]~~

a. The original principal amount of the loan***; and***

b. Any charges, including fees, costs, expenses, or other amounts, authorized by this subtitle on the loan contract;~~[is not in excess of three thousand dollars ($3,000) and]~~

2. If the original principal amount of the loan, excluding charges, exceeds five thousand dollars ($5,000) but does not exceed ten thousand dollars ($10,000), two ***and forty-two hundredths*** percent (***2.42%***~~[2%]~~) per month on***:***~~[any loan where]~~

a. The original principal amount of the loan***; and***

b. Any charges, including fees, costs, expenses, or other amounts, authorized by this subtitle on the loan contract; and~~[exceeds three thousand dollars ($3,000)]~~

3. If the original principal amount of the loan, excluding charges, exceeds ten thousand dollars ($10,000), two and one-fourth percent (2.25%) per month on:

a. The original principal amount of the loan; and

b. Any charges, including fees, costs, expenses, or other amounts, authorized by this subtitle on the loan contract.

(b) ***The***~~[Such]~~ charges ***authorized under paragraph (a) of this subsection*** shall be computed in advance at the agreed rate on scheduled unpaid principal balances of the cash advance on the assumption that all scheduled payments will be made when due.

(c) The total amount of~~[such]~~ ***the*** precomputed charges ***under paragraph (b) of this subsection*** shall be added to the original cash advance and ***other charges, including fees, costs, expenses, or other amounts, authorized by this subtitle on the loan contract, and*** the resulting sum shall become the face amount of the note.

(d) Every ***loan*** payment may be applied to the ***face amount of the note***~~[combined total of the cash advance and precomputed charges]~~ until the ***loan*** contract is paid in full.

(2) For the purposes of computation ***under subsection (1) of this section:***~~[,]~~

(a) Whether at the maximum rate or less***:***~~[,]~~

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

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

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

(3) ***For any loan contract,*** a licensee and borrower may agree ***:***~~[that the]~~

(a) On a first installment date ***that is***~~[may be]~~ not more than fifteen (15) days more than one (1) month***:*** and

(b) That the amount of ***the first***~~[such]~~ installment may be increased by one-thirtieth (1/30) of the portion of the charges applicable to a first installment period of one (1) month for each extra day.

(4) If one-half (1/2) or more of any installment remains unpaid more than seven (7) days after it is due, ***a***~~[the]~~ licensee may charge and collect a default charge not exceeding two cents ***($0.02)***~~[(2¢)]~~ for each dollar of the scheduled installment, and ***this***~~[such]~~ charge may be collected for each full month the installment remains unpaid.

(5) ***(a)*** If the payment of all wholly unpaid installments on which no default charge has been collected is deferred one (1) or more full months, ***a***~~[the]~~ licensee may charge and collect a deferment charge not exceeding two cents ***($0.02)***~~[(2¢)]~~ for each one dollar ($1) of the sum of the installments so deferred, multiplied by the number of months the maturity of the contract is extended***, except the***~~[; provided, however, that such]~~ number of months ***extended*** shall not exceed the number of installments which are due and wholly unpaid or due within fifteen (15) days from the date of deferment.

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

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

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

1. The amount of the deferment charge**;**~~[,]~~

2. The date and amount of the next scheduled payment**;**~~[,]~~ and

3. The number of remaining scheduled payments.

(6) ***(a) Except as otherwise provided in this subsection,*** if ***a loan***~~[the]~~ contract~~[of loan]~~ is prepaid in full by cash, a new loan, or otherwise before the final installment date, the portion of the charges applicable to the full installment periods following the installment date nearest the date of prepayment shall be refunded.

(b) Any default or deferment charges which are due and unpaid ***on the loan contract*** may be deducted from ***the***~~[such]~~ refund ***required under this subsection***.

(c) Any~~[The]~~ tender ***made*** by ***a***~~[the]~~ borrower or at his ***or her*** request of an amount equal to the unpaid balance less the ***refund*** required ***under this subsection shall***~~[refund must]~~ be accepted by ***a***~~[the]~~ licensee in full payment of the ***loan*** contract.

(d) If judgment is obtained before the final installment date, the contract balance shall be reduced by the refund which would be required for prepayment in full as of the date judgment is obtained.

(e) A licensee shall not be required to make a refund:~~[No refund]~~

1. Of less than one dollar ($1)***; or***~~[need be made; no refund]~~

2. For partial prepayments~~[need be made]~~.

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

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

(8) ***(a)*** In lieu of computing and collecting charges as provided in subsections (1) to (6)~~[inclusive]~~ of this section, a licensee may contract for, collect, and receive on loans of fifteen thousand dollars ($15,000) or less charges as permitted in subsection (1) of this section computed on the unpaid~~[principal]~~ balance of the loan from time to time outstanding.

(b) The~~[Such]~~ charges ***permitted under paragraph (a) of this subsection*** shall not be paid, deducted, received in advance, or compounded**,** but shall be computed, collected, and received only on unpaid~~[principal]~~ balances for the time actually outstanding.

(c) The definition of a month and of a day in subsection (2) of this section shall apply for the purposes of ***the***~~[such]~~ computations ***under this subsection***.

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

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

1. The lawful fees actually and necessarily paid out by the licensee to any public official for filing, recording, or releasing in any public office any

instrument securing the loan;

2. The identifiable charge of premium for insurance provided for in KRS 286.4-560; ***and*** ~~[or]~~

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

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

(11) ***(a) A*** ~~[No]~~ licensee shall ***not*** induce or permit ***a person*** ~~[any borrower to split up or divide any loan nor permit any one (1) borrower]~~ to become ***obligated to the licensee, directly or contingently, or both*** ~~[indebted to him]~~ under ***any*** ~~[more than one (1)]~~ ***loan*** contract ~~[of loan]~~***entered into within ten (10) days of the origination of another loan contract with the same person for the purpose or with the result of obtaining charges*** ~~[at the same time if the actual amount of the indebtedness on any one (1) of such contracts is in the amount or of the value of fifteen thousand dollars ($15,000) or less and there is charged, contracted for, or received thereon, directly or indirectly, by any device, subterfuge, or pretense whatsoever, any interest, or consideration therefor]~~ greater than would otherwise be permitted by this subtitle.

(b) For a second or subsequent loan made by a licensee to any person outside of the ten (10) day period referenced in paragraph (a) of this subsection, the licensee shall not be required to limit the loan charges to the aggregate amount of what the loans combined would dictate under this subtitle.

(12) ***A*** ~~[No]~~ licensee shall ***not*** directly or indirectly charge, contract for, or receive any interest or consideration greater than the lender would be permitted by law to

charge if ***the lender***~~[he]~~ were not a licensee***:***~~[hereunder]~~

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

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

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

Notwithstanding the provisions of KRS 286.4-530(10) or~~[of]~~ any other law, in any extension of credit ***under***~~[in accordance with]~~ this subtitle, ***a***~~[the]~~ licensee may charge and collect the following ***charges***:

(1) A fee, or premium for insurance, in lieu of perfecting a security interest***, except in no event shall***~~[to the extent that]~~ the fee or premium~~[does not]~~ exceed the fee payable to public officials for perfecting the security interest;

(2) A ***returned payment***~~[bad check]~~ charge of twenty-five dollars ($25)~~[,]~~ or the amount passed on from other financial institutions ***and payment processors***, whichever is greater, for ***each***~~[any]~~ check, draft, ***electronic fund transfer,*** negotiable order of withdrawal, or ***electronic payment***~~[like instrument]~~ returned***, unpaid,*** or ***otherwise*** dishonored for any reason~~[by a depository institution]~~, which charge ***the*** licensee may charge and collect~~[,]~~ through regular billing procedures, or otherwise***,*** from the borrower;

(3) A reasonable attorney's fee, in connection with the collection of a loan, actually incurred by the licensee and paid ***or payable*** to an attorney who is not an employee of the licensee;

(4) ***(a)*** A loan processing fee of five percent (5%) of the original principal amount of the loan***, which***~~[. This]~~ charge shall be limited to a maximum of one hundred

fifty dollars ($150).

(b) Any ***loan processing fee***~~[charge]~~ collected up to**,** and including***, seventy-five***~~[fifty]~~ dollars (***$75***~~[$50]~~) shall be nonrefundable.

(c) In the event of prepayment, any ***portion of a*** loan processing fee above ***seventy-five***~~[fifty]~~ dollars (***$75***~~[$50]~~) shall be subject to refund in the same manner as other charges pursuant to KRS 286.4-530(6).

(d) A loan processing fee may only be charged once on a loan~~[or refinance]~~ within any ninety (90) day period;

(5) ***(a)*** An alternative to the default charge described in KRS 286.4-530(4), not to exceed five percent (5%) of each scheduled installment~~[,]~~ or fifteen dollars ($15), whichever is greater.

(b) Only one (1) charge may be collected for each scheduled installment;~~[and]~~

(6) Costs or other expenses authorized for a secured party in accordance with KRS 355.9-207 and 355.9-607***; and***

(7) If the borrower requests loan funding in a manner other than by physical check, a funding fee of three dollars ($3) per loan for distributing the loan proceeds in the manner requested by the borrower.