

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 on any loan~~[thereon]~~ charges not in excess of:

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

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

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

14 2. If the original principal amount of the loan, excluding charges,  
15 exceeds five thousand dollars (\$5,000) but does not exceed ten  
16 thousand dollars (\$10,000), two and forty-two hundredths percent  
17 (2.42%[2%]) per month on:~~[any loan where]~~

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

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

22 3. If the original principal amount of the loan, excluding charges,  
23 exceeds ten thousand dollars (\$10,000), two and one-fourth percent  
24 (2.25%) per month on:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11        (5) (a) If the payment of all wholly unpaid installments on which no default charge  
12                    has been collected is deferred one (1) or more full months, a~~[the]~~ licensee  
13                    may charge and collect a deferment charge not exceeding two cents  
14                    (\$0.02)~~[(2¢)]~~ for each one dollar (\$1) of the sum of the installments so  
15                    deferred, multiplied by the number of months the maturity of the contract is  
16                    extended, except the~~[- provided, however, that such]~~ number of months  
17                    extended shall not exceed the number of installments which are due and  
18                    wholly unpaid or due within fifteen (15) days from the date of deferment.

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

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

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

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

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

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

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

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

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

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

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

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

23            **2.** 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 **loan** contract so provides, ~~a~~~~the~~ licensee may reduce  
26        the contract balance by the refund or credit which would be required for  
27        prepayment in full on ~~the~~~~such~~ installment date. Thereafter, in lieu of charging,

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

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

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

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

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

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

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

1 instrument securing the loan;

2 2. The identifiable charge of premium for insurance provided for in KRS  
3 286.4-560; and~~or~~

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

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

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

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

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

1 charge if the lender~~he~~ were not a licensee;~~hereunder~~

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

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

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

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

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

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

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

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

1           fifty dollars (\$150).

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

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

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

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

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

13       (6) Costs or other expenses authorized for a secured party in accordance with KRS  
14           355.9-207 and 355.9-607; **and**

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