

**SENATE BILL No. 282**

By Committee on Financial Institutions and Insurance

1-21

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1 AN ACT concerning the uniform consumer credit code; pertaining to  
2 installment loans.

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4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. (a) This section establishes an alternate procedure for  
6 certain installment loans under the uniform consumer credit code, and  
7 amendments thereto. Any installment loan made to a consumer pursuant to  
8 this section shall be subject to the following conditions:

9 (1) No installment loan shall be made under this section for an  
10 amount that is less than \$100 or which exceeds \$2,000.

11 (2) The term of any such installment loan shall be not less than three  
12 months and not more than 25 months.

13 (3) No installment loan shall be made pursuant to this section by any  
14 lender who makes any payday loan or title loan.

15 (4) No lender and related interest shall have more than one loan made  
16 under this section outstanding to the same borrower at any one time.

17 (b) (1) As an alternative to the finance charge permitted to be charged  
18 by a lender pursuant to K.S.A. 16a-2-401, and amendments thereto, for an  
19 installment loan made pursuant to this section, a lender may charge a  
20 finance charge consisting of an installment loan origination fee in an  
21 amount not to exceed 10% of the amount financed and an installment  
22 handling charge in an amount which does not exceed:

23 (A) \$12 per month on any installment loan in which the amount of  
24 the loan is at least \$100 but does not exceed \$300;

25 (B) \$14 per month on any installment loan in which the amount of the  
26 loan exceeds \$300 but does not exceed \$400;

27 (C) \$16 per month on any installment loan in which the amount of the  
28 loan exceeds \$400 but does not exceed \$500;

29 (D) \$20 per month on any installment loan in which the amount of  
30 the loan exceeds \$500 but does not exceed \$1,000;

31 (E) \$23 per month on any installment loan in which the amount of the  
32 loan exceeds \$1,000 but does not exceed \$1,250;

33 (F) \$26 per month on any installment loan in which the amount of the  
34 loan exceeds \$1,250 but does not exceed \$1,500;

35 (G) \$29 per month on any installment loan in which the amount of  
36 the loan exceeds \$1,500 but does not exceed \$1,750; and

1 (H) \$32 per month on any installment loan in which the amount of  
2 the loan exceeds \$1,750 but does not exceed \$2,000.

3 (2) The loan origination fee and the installment handling charge may  
4 be calculated for the entire term of the installment loan contract and added  
5 to the amount of such loan.

6 (3) Each scheduled or periodic payment for an installment loan made  
7 pursuant to this section shall include the installment handling charge. The  
8 amount of the scheduled or periodic payment shall be at least \$40 per  
9 month.

10 (c) A consumer may rescind any installment loan transaction made  
11 under the provisions of this section without cost not later than the end of  
12 the third business day immediately following the day on which the loan  
13 transaction was made. To rescind the loan transaction:

14 (1) A consumer shall inform the lender that the consumer wants to  
15 rescind the loan transaction;

16 (2) the consumer shall return the cash amount of the principal of the  
17 installment loan transaction to the lender; and

18 (3) the lender shall return any fees that have been collected in  
19 association with such installment loan.

20 (d) No insurance charge or any other charge of any nature whatsoever  
21 shall be permitted for any installment loan made pursuant to this section,  
22 except for:

23 (1) A loan origination fee;

24 (2) installment account handling charges;

25 (3) delinquency charges;

26 (4) fees for the perfection of liens on motor vehicles or other personal  
27 property;

28 (5) an insufficient fund check charge in the amount of \$20 or an  
29 amount equal to the actual charge by the depository institution for the  
30 return of the unpaid or dishonored instruments, whichever is greater; and

31 (6) assessed court costs.

32 (e) Subject to the provisions of subsection (c), whenever the  
33 outstanding balance of any installment loan contract made pursuant to this  
34 section is paid in full by cash, a new loan, renewal, or otherwise at least  
35 one month or more before the date upon which the final installment is due,  
36 the lender shall refund or credit the consumer with any unused portion of  
37 the installment handling charge attributable to the installment loan made  
38 pursuant to this section. The amount of such refund shall be determined by  
39 schedules prepared under the actuarial method.

40 (f) Each loan agreement made under this section shall contain the  
41 following notice in at least 10 point bold face type: NOTICE TO  
42 BORROWER: KANSAS LAW PROHIBITS THIS LENDER AND  
43 THEIR RELATED INTEREST FROM HAVING MORE THAN ONE

1 INSTALLMENT LOAN MADE PURSUANT TO THIS SECTION  
2 OUTSTANDING TO YOU AT ANY ONE TIME. A LENDER CANNOT  
3 DIVIDE THE AMOUNT YOU WANT TO BORROW INTO MULTIPLE  
4 LOANS IN ORDER TO INCREASE THE FEES YOU PAY.

5 Prior to consummation of the loan transaction, the lender must:

6 (1) Provide the notice set forth in this subsection in both English and  
7 Spanish; and

8 (2) obtain the borrower's signature or initials next to the English  
9 version of the notice or, if the borrower advises the lender that the  
10 borrower is more proficient in Spanish than in English, then next to the  
11 Spanish version of the notice.

12 (g) For the purposes of this section:

13 (1) "Actuarial method" shall have the meaning specified in K.S.A.  
14 16a-1-301, and amendments thereto.

15 (2) "Installment handling charge" means that portion of the scheduled  
16 or periodic payment attributable to the administrative costs pertaining to a  
17 specific individual payment of the installment loan.

18 (3) "Loan origination fee" means the cost of preparation of the loan  
19 documents and includes any other administrative fees related to the  
20 initiation or processing of the loan.

21 (4) "Payday loan" means a loan governed by K.S.A. 2013 Supp. 16a-  
22 2-404, and amendments thereto.

23 (5) "Title loan" means a secured loan in which:

24 (A) The consumer uses the certificate of title to such consumer's  
25 motor vehicle as security for the loan; and

26 (B) the consumer temporarily surrenders the hard copy of such  
27 consumer's certificate of title to the lender prior to receiving any loan  
28 amount.

29 (h) This section shall be part of and supplemental to the uniform  
30 consumer credit code.

31 Sec. 2. This act shall take effect and be in force from and after its  
32 publication in the statute book.