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MEMORANDUM

To: Chairman Longbine and members of the Senate Committee on Financial Institutions and Insurance
From: Office of Revisor of Statutes
Date: March 24, 2021
Subject: **SB 218 - Providing restrictions, lender reporting and other requirements for alternative small installment loans made under the UCCC.**

Senate Bill No. 218 makes several amendments to provisions of the uniform consumer credit code relating to consumer loans known as alternative small installment loans.

New provisions governing alternative small installment loans include the following:

1. Interest on such loans shall not 36% per annum.
2. Monthly maintenance fees on such loans to the lesser of 8% of the loan amount or \$30.
3. If the loan is for \$400 or more and the loan term is four months or more, an underwriting fee not to exceed \$25 may be charged.
4. The minimum terms of any loan shall be three calendar months, except in cases where the total monthly payment on the loan does not exceed 5% of the borrower's verified gross monthly income or 6% of borrower's net income. The lender is required to make a reasonable attempt to verify the income by obtaining from the borrower one or more recent pay stubs or other evidence of the borrower's income.
5. The total amount of fees and charges is limited to either 60% of the originally contracted loan amount, if the loan amount was \$1,500 or less or 75% of the loan amount if the loan was for more than \$1,500.
6. A lender is limited to making one loan to the same borrower at any time.
7. A copy of the loan contract shall be provided to the borrower and such contract shall contain disclosures relating to the total amount of fees and charges regarding the loan, when payment is due, the total numbers of payments, the annual percentage rate, inclusive of monthly fees, all disclosures required under the truth in lending act, right to rescind the loan within three business days and the right to revoke authorization for electronic payment.
8. If the loan is prepaid in full or refinanced prior to the loan's maturity date, the lender is required to fund to the borrower a portion of the interest charges for the actual time

remaining for the period following prepayment, a portion of the monthly maintenance fees and a portion of the underwriting fee.

9. Lenders are prohibited from accepting real or personal property or any interest in any property in connection with a loan other than a check or a motor vehicle title.
10. Lenders shall not draft funds electronically from a borrower's account without express written authorization from the borrower and shall stop attempts to draft funds electronically upon request of the borrower.
11. A lender may take a security interest in the title of one motor vehicle that the borrower owns prior to the loan transaction except that if the vehicle's title evidences that vehicle is encumbered by a lien. The lender shall promptly release the security interest when the borrower's obligations under the loan agreement are satisfied in full and shall take any action necessary to reflect termination of such security interest on the vehicle's title.
12. Borrower's shall be permitted to recover promptly and at no cost personal items from a repossessed vehicle.
13. The lender shall not charge any collection costs, attorney fees or any other fees except when the lender becomes entitled to seek a personal money judgment against the borrower.
14. A lender may seek a personal money judgment for amounts owed under the loan if the borrower intentionally damages or destroys the vehicle, intentionally concealing the vehicle, gives the lender a lien on a vehicle already encumbered by an undisclosed prior lien or subsequently giving a security interest to a third party without the lender's written consent.
15. In addition to the requirements for other consumer loan contracts above, a loan contract involving a vehicle title shall include the make, model year and vehicle identification number of the vehicle in which a security interest is being given and the fair market value of the vehicle and a statement printed above the borrower's signature.
16. Any person who enters into a consumer loan transaction under this section shall file a report with the administrator of the UCCC (deputy commissioner of the consumer and mortgage lending division appointed by the bank commissioner) each year.
17. The administrator shall publish at least annually a list of information regarding such loans and shall make such list available to the public.

The bill becomes effective January 1, 2022.