

House Study Bill 649 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act requiring the licensure of flexible credit lenders, and
2 making civil penalties applicable.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 536B.1 Title.

2 This chapter shall be known and may be cited as the "*Iowa*
3 *Flexible Loan Act*".

4 Sec. 2. NEW SECTION. 536B.2 Definitions.

5 As used in this chapter, unless the context otherwise
6 requires:

7 1. "*Annual percentage rate*" means the measure of the cost
8 of credit, expressed as a yearly rate, that relates the amount
9 extended to a consumer on a flexible credit loan to the amount
10 and timing of payments made, as computed under the federal
11 Truth in Lending Act.

12 2. "*Consumer*" means an individual who obtains a flexible
13 credit loan.

14 3. "*Federal Truth in Lending Act*" means as defined in
15 section 537.1302.

16 4. "*Finance charge*" means the amount payable by a consumer
17 incident to or as a condition of the extension of a flexible
18 credit loan but excluding other fees and charges allowed under
19 section 536B.19.

20 5. "*Flexible credit lender*" means a person who advertises to
21 make, solicit, or hold the person out to make a flexible credit
22 loan to a consumer in this state.

23 6. "*Flexible credit loan*" is a loan in which all of the
24 following are applicable:

25 a. The debt is incurred for a personal, family, or household
26 purpose.

27 b. The debt is not less than five hundred dollars and not
28 more than five thousand dollars.

29 c. The debt is unsecured.

30 d. The debt is payable in substantially equal installment
31 payments of principal and interest for the term of the loan.

32 e. The debt is subject to prepayment in whole or in part at
33 any time without penalty.

34 f. The term length of the loan is for a minimum of six
35 months and a maximum of twenty-four months.

1 7. "*Licensee*" means a person licensed pursuant to this
2 chapter.

3 8. "*Regularly engaged in the business*" means any of the
4 following:

5 a. Advertising to or making any other solicitation to a
6 resident of this state to offer a flexible credit loan within
7 this state.

8 b. Making three or more flexible credit loans within a
9 calendar year to residents of this state.

10 9. "*Superintendent*" means the superintendent of banking
11 within the banking division of the department of commerce.

12 Sec. 3. NEW SECTION. 536B.3 Exemptions.

13 1. This chapter shall not apply to any of the following:

14 a. A person who does business under the authority of a
15 law of this state, or any other state while regulated by a
16 state agency of that other state, or of the United States,
17 relating to banks, savings banks, trust companies, savings and
18 loan associations, profit sharing and pension trusts, credit
19 unions, insurance companies, or receiverships if the person
20 is regulated by the other law or under the jurisdiction of a
21 court.

22 b. A person who is not regularly engaged in the business of
23 making a flexible credit loan.

24 c. A person who is licensed pursuant to another law of this
25 state to the extent that the person's activities are governed
26 by that law.

27 d. A consumer loan provided under chapter 533D, 535C, 536,
28 536A, 536C, or 537.

29 2. The provisions of this chapter shall supersede a
30 conflicting provision of chapter 537, the Iowa consumer credit
31 code.

32 Sec. 4. NEW SECTION. 536B.4 License — application — fees.

33 1. Unless exempt under section 536B.3, a person shall not
34 engage in the business of making a flexible credit loan to a
35 resident of this state without first having obtained a license

1 as a flexible credit lender from the superintendent.

2 2. An applicant for a license shall submit an application
3 in writing, under oath, and in the form as prescribed by the
4 superintendent. The application shall require any information
5 that the superintendent determines is necessary.

6 3. At the time of making the application, the applicant
7 shall pay to the superintendent a fee of one hundred dollars.

8 **Sec. 5. NEW SECTION. 536B.5 Grounds for denial of license.**

9 The superintendent may deny a license for any of the
10 following:

11 1. The person is insolvent.

12 2. The person has failed to demonstrate the financial
13 responsibility, experience, character, and general fitness to
14 command the confidence of the community and to warrant the
15 belief that the business of the proposed flexible credit lender
16 will be honestly and efficiently conducted.

17 3. The person has failed to pay the fee required under
18 section 536B.4.

19 4. The person has failed to demonstrate that the person
20 maintains at least twenty-five thousand dollars in assets
21 readily available for use in the conduct of the business for
22 the licensed office and each licensed branch office.

23 5. The person has, either knowingly or without the exercise
24 of due care to prevent a violation, violated any provision of
25 this Title XIII of the Code or any rule or order adopted or made
26 pursuant to this Title XIII.

27 **Sec. 6. NEW SECTION. 536B.6 Issuance of license — form —**
28 **posting.**

29 1. The superintendent shall issue a license to an applicant
30 within one hundred twenty days after receiving a complete
31 application unless the superintendent finds grounds for denying
32 the license.

33 2. A license issued under this chapter shall be valid for a
34 term of one year, beginning on January 1 and ending on December
35 31.

1 3. A license issued under this chapter shall remain in full
2 force until surrendered, revoked, or suspended.

3 4. A license issued under this chapter shall not be
4 transferable or assignable.

5 5. A license issued under this chapter shall remain the
6 property of this state. Upon the voluntary surrender of the
7 license by the licensee or the revocation of the license by
8 the superintendent, the licensee shall immediately deliver the
9 license to the superintendent. Surrender or revocation of the
10 license shall not affect any other liability of the licensee.

11 6. A license issued pursuant to this chapter shall be kept
12 conspicuously posted at the office of the licensee and any
13 licensed branch office where flexible credit loan transactions
14 are conducted.

15 Sec. 7. NEW SECTION. 536B.7 License locations.

16 1. A licensee shall designate the principal place of
17 business where the licensee shall conduct flexible credit loan
18 transactions pursuant to this chapter, which shall be indicated
19 on the license as the licensed office location.

20 2. a. A licensee may obtain a branch office license from
21 the superintendent for each branch office if the licensee wants
22 to maintain more than one license location.

23 b. A licensee may obtain a branch office license by
24 submitting an application in the form as prescribed by the
25 superintendent and paying a fee of two hundred fifty dollars
26 for each branch office license.

27 c. The superintendent shall issue a branch office
28 license indicating the address of the branch office if the
29 superintendent determines that the applicant is qualified for
30 the license and the applicant has paid the required fee.

31 3. A licensee shall not conduct flexible credit loan
32 transactions under any name or at any place of business other
33 than the name and location indicated on the license. However,
34 a licensee may do any of the following:

35 a. Provide a flexible credit loan by mail or electronic

1 means.

2 *b.* Make an accommodation to a consumer at any location upon
3 a request by the consumer.

4 *c.* Conduct an administrative, loan servicing, or
5 recordkeeping activity at any other location not open to the
6 public provided that the superintendent is notified in advance
7 of that activity.

8 4. A licensee may change the licensed office location or
9 licensed branch office location by providing the superintendent
10 with written notice, and the superintendent shall amend the
11 license accordingly.

12 5. *a.* A licensee shall not conduct flexible credit loan
13 transactions from within any licensed office location or
14 licensed branch office location in which any other business not
15 licensed pursuant to this Title XIII of the Code is solicited
16 or engaged in, or in conjunction with any other business not
17 licensed pursuant to this Title XIII, without providing notice
18 to the superintendent.

19 *b.* If the superintendent determines that the other business
20 is of such a nature or is being conducted in such a manner
21 as to conceal an evasion or violation of this Title XIII of
22 the Code or any rules adopted pursuant to this Title XIII,
23 or is otherwise being conducted in an unlawful manner, the
24 superintendent may restrict the licensee from conducting its
25 business as a flexible credit lender in conjunction with that
26 other business.

27 Sec. 8. NEW SECTION. 536B.8 **Renewal of license.**

28 1. A license issued pursuant to this chapter shall be
29 renewed annually. A licensee may renew a license by submitting
30 an application in the form as prescribed by the superintendent
31 no later than December 1 and paying a renewal fee of two
32 hundred fifty dollars.

33 2. The superintendent may assess a late fee of ten dollars
34 per day for applications submitted and accepted for processing
35 after December 1.

1 3. The license of a licensee who has not filed a renewal
2 application or paid the renewal fee by December 31 shall
3 expire and the licensee shall not act as a flexible credit
4 lender until the license is renewed or a new license is issued
5 pursuant to this chapter.

6 Sec. 9. NEW SECTION. 536B.9 **Grounds for denial of license**
7 **renewal — suspension — revocation.**

8 1. The superintendent may deny the renewal of a license or
9 suspend or revoke a license if the superintendent determines
10 any of the following:

11 a. The licensee is insolvent.

12 b. The licensee is not a person of honesty, truthfulness,
13 and good character, as determined by rule.

14 c. The licensee has failed to pay the annual renewal fees.

15 d. The licensee has failed to file an annual report as
16 required by this chapter when the report was due or within
17 any extension of time provided by the superintendent for good
18 cause.

19 e. The licensee has failed to demonstrate that the licensee
20 maintains at least twenty-five thousand dollars in assets
21 readily available for use in the conduct of the business for
22 the licensed office and each licensed branch office.

23 f. The licensee has violated a provision of this Title XIII
24 of the Code or any rule made pursuant to this Title XIII either
25 knowingly or without the exercise of due care to prevent the
26 violation.

27 2. The superintendent may also deny the renewal of a license
28 or suspend or revoke a license if the superintendent determines
29 a fact or condition exists which would have warranted the
30 superintendent to refuse to originally issue the license.

31 Sec. 10. NEW SECTION. 536B.10 **Records.**

32 1. A licensee shall keep such books, accounts, and records
33 as the superintendent may require in order to determine whether
34 the licensee is complying with the provisions of this chapter
35 and with the rules adopted by the superintendent under this

1 chapter.

2 2. A licensee shall preserve for at least two years after
3 making the last entry on any flexible credit loan all books,
4 accounts, and records pertaining to the loan. A licensee who
5 uses an electronic recordkeeping system shall not be required
6 to keep a written copy of the books, accounts, and records
7 provided that the licensee is able to generate all of the
8 information required under this section in a timely manner for
9 examination or other purposes.

10 3. A licensee shall make any books, accounts, and records
11 kept outside of this state available to the superintendent
12 within three business days upon request by the superintendent.
13 The superintendent may examine such books, accounts, and
14 records at the office of the licensee located outside of this
15 state.

16 4. A licensee shall provide to the superintendent or the
17 superintendent's duly authorized representative access, during
18 normal business hours, to the licensee's offices, files, safes,
19 and vaults regarding the flexible credit lending business or
20 regarding the subject matter of any examination, investigation,
21 or hearing regarding the licensee.

22 Sec. 11. NEW SECTION. 536B.11 **Annual report by licensee.**

23 1. A licensee shall annually on or before April 1 file a
24 report with the superintendent giving such relevant information
25 as the superintendent reasonably may require concerning
26 the business and operations during the twelve-month period
27 ending the preceding December 31. Upon good cause shown by a
28 licensee, the superintendent may extend the time for filing the
29 report for a period not to exceed sixty days.

30 2. a. The annual report shall include a licensee's average
31 annual percentage rate and average loan amount during the
32 twelve-month period ending the preceding December 1.

33 b. On at least an annual basis the superintendent shall
34 compile a report of the average annual percentage rate and
35 average loan amount of each licensee as submitted pursuant

1 to paragraph "a". The superintendent shall disseminate the
2 report in a manner deemed appropriate and shall make the report
3 available to the public for inspection and copying.

4 3. The annual report shall include the total number of
5 flexible credit loan transactions that the licensee completed
6 in the prior two years.

7 4. a. If a licensee fails to file an annual report under
8 this section, the superintendent or any person designated
9 by the superintendent may examine the books, accounts, and
10 records of the licensee, prepare the annual report, and charge
11 the licensee an examination fee as established by rule. The
12 fee shall be based on the actual cost of the examination or
13 investigation.

14 b. If a licensee fails to file an annual report within the
15 specified time and has not received an extension, the licensee
16 shall be subject to a civil penalty not to exceed five dollars
17 per day until the licensee has filed the annual report. The
18 licensee shall pay the penalty to the superintendent within
19 thirty days after the penalty is levied.

20 Sec. 12. NEW SECTION. 536B.12 Surrender of license.

21 A licensee may surrender a flexible credit loan license
22 by delivering to the superintendent written notice that the
23 license is surrendered. The surrender does not affect the
24 licensee's civil or criminal liability for acts committed
25 prior to such surrender or entitle such licensee to a return
26 of any part of the annual license fee. The superintendent
27 may establish procedures for the disposition of the books,
28 accounts, and records of the licensee and may require such
29 action as deemed necessary for the protection of consumers who
30 have flexible credit loans that are outstanding at the time of
31 surrender of the license.

32 Sec. 13. NEW SECTION. 536B.13 Impairment of preexisting
33 loan.

34 1. The revocation, suspension, surrender, expiration, or
35 alteration of a license provided under this chapter shall not

1 impair or affect any of the following:

2 *a.* The obligation of a preexisting flexible credit loan
3 between a flexible credit lender and a consumer.

4 *b.* The ability or right of a flexible credit lender to
5 service a preexisting flexible credit loan from outside this
6 state.

7 2. If this chapter or any part of this chapter is modified,
8 amended, or repealed, resulting in a cancellation or alteration
9 of any flexible credit lender license or right of a licensee
10 under this chapter, that cancellation or alteration shall not
11 impair or affect the obligation of any preexisting contract
12 between a flexible credit lender and any consumer.

13 Sec. 14. NEW SECTION. 536B.14 **Restrictions.**

14 1. A licensee shall not knowingly advertise, display,
15 distribute, broadcast, or televise, or cause or allow to be
16 advertised, displayed, distributed, broadcast, or televised, in
17 any manner, any false, misleading, or deceptive statement or
18 representation with regard to the rates, terms, or conditions
19 of a flexible credit loan. To the extent applicable, all
20 advertising shall comply with the advertising requirements
21 specified in the federal Truth in Lending Act.

22 2. A licensee shall not provide a flexible credit loan
23 to a consumer with more than one outstanding flexible credit
24 loan provided under this chapter at any one time. A licensee
25 shall inquire of any consumer seeking a flexible credit loan
26 regarding whether the consumer has any outstanding flexible
27 credit loans. A licensee may only offer a consumer a flexible
28 credit loan if the consumer represents in writing that the
29 consumer has no outstanding flexible credit loans.

30 3. *a.* A licensee shall not provide a flexible credit loan
31 with an annual percentage rate greater than that provided in 10
32 U.S.C. §987(b), to any of the following:

33 (1) A member of the United States armed forces who is on
34 active duty under a call or order that does not specify a
35 period of thirty days or less.

1 (2) A person on active national guard and reserve duty.

2 (3) A dependent as defined in 10 U.S.C. §987(i).

3 *b.* A licensee shall not provide a flexible credit loan
4 to a consumer unless the consumer has signed a statement, to
5 be included as part of the loan, attesting to whether or not
6 the consumer is a military member or a dependent as defined
7 in 10 U.S.C. §987(i). The statement shall be in the form as
8 prescribed by the superintendent by rule.

9 *c.* A flexible credit loan made in violation of 10 U.S.C.
10 §987 is void and its terms and conditions unenforceable.

11 4. A licensee shall not condition a flexible credit loan
12 upon a consumer's agreement to repay the loan by recurring
13 automatic electronic fund transfers from the consumer's bank
14 account. However, this shall not preclude the consumer from
15 providing written authorization to repay a loan by recurring
16 automatic electronic fund transfers from the consumer's bank
17 account if the licensee offers such a repayment option.

18 Sec. 15. NEW SECTION. 536B.15 Rules.

19 The superintendent may adopt rules to administer this
20 chapter.

21 Sec. 16. NEW SECTION. 536B.16 Noncompliance.

22 1. A flexible credit loan that is provided by a person who
23 is required to be licensed under this chapter but who is not
24 licensed is void and its terms and conditions unenforceable.

25 2. Except as provided in subsection 1 and section 536B.14,
26 subsection 3, failure to comply with this chapter shall not
27 affect the validity or enforceability of a flexible credit
28 loan.

29 Sec. 17. NEW SECTION. 536B.17 Disclosures.

30 1. To the extent applicable, a licensee shall comply with
31 the disclosure requirements as set forth in the federal Truth
32 in Lending Act.

33 2. A licensee shall conspicuously display a sign printed
34 in at least twelve-point bold font type at each desk in the
35 licensed office and licensed branch office where flexible

1 credit loan transactions are conducted with the following
2 disclosure:

3 Notice: Before signing any loan documents or otherwise
4 committing to a loan, you may take copies of those documents
5 away from the flexible credit lender's place of business for
6 review.

7 3. A licensee providing electronic flexible credit loans
8 shall conspicuously display the following disclosure on the
9 licensee's internet site:

10 Notice: Before signing any loan documents or otherwise
11 committing to a loan, please read our terms and conditions
12 carefully.

13 4. A licensee who fails to provide disclosures as required
14 under this section shall be subject to a civil penalty not to
15 exceed three hundred dollars for each violation.

16 Sec. 18. NEW SECTION. **536B.18 Finance charge.**

17 1. A licensee may charge a finance charge on a flexible
18 credit loan at a rate not to exceed twenty-four percent per
19 month.

20 2. This section does not authorize the compounding of a
21 finance charge.

22 Sec. 19. NEW SECTION. **536B.19 Other fees and charges.**

23 1. In addition to the finance charge authorized under
24 section 536B.18, a licensee may collect any of the following
25 fees or charges:

26 a. A delinquency charge if an installment is not paid in
27 full within seven days, equal to five percent of the amount of
28 the installment.

29 b. Court costs and reasonable attorney fees if the flexible
30 credit loan is referred for collection to an attorney other
31 than an employee of the licensee.

32 c. A dishonored check service fee if a licensee receives
33 a check, draft, negotiable order of withdrawal, or similar
34 instrument that is not paid or is not honored by a depository
35 institution, equal to the actual charges assessed by the

1 depository institution.

2 2. A licensee shall not directly or indirectly charge,
3 contract for, or receive any other amount in connection with a
4 flexible credit loan except as provided in this chapter.

5 EXPLANATION

6 The inclusion of this explanation does not constitute agreement with
7 the explanation's substance by the members of the general assembly.

8 This bill creates new Code chapter 536B to require licensure
9 of persons who wish to provide flexible credit loans to
10 residents of the state.

11 The bill defines "flexible credit loan" to mean a loan that
12 is incurred for a personal, family, or household purpose, is
13 not less than \$500 and not more than \$5,000, is unsecured,
14 is payable in substantially equal installment payments of
15 principal and interest for the term of the loan, is subject to
16 prepayment in whole or in part at any time without penalty, and
17 is for a term length of a minimum of 6 months and a maximum of
18 24 months.

19 The bill exempts the following persons from the requirements
20 of the bill: a person who does business under any law relating
21 to banks, savings banks, trusts, savings and loan associations,
22 profit sharing and pension trusts, credit unions, insurance
23 companies, or receiverships, a person who is not regularly
24 engaged in the business of making flexible credit loans, as
25 defined in the bill, a person who is licensed pursuant to
26 another Iowa Code chapter to the extent that the person's
27 activities are governed by that Code chapter, or a consumer
28 loan provided under Code chapter 533D, 535C, 536, 536A, 536C,
29 or 537. The bill provides that the provisions of new Code
30 chapter 536B supersede any conflicting provisions in Code
31 chapter 537, the Iowa consumer credit code.

32 The bill prohibits a person from engaging in the business
33 of making flexible credit loans to a resident in this state
34 without first obtaining a license from the superintendent
35 of the banking division in the department of commerce. An

1 applicant for a license must submit an application in the form
2 prescribed by the superintendent and pay a fee of \$100.

3 The bill allows the superintendent to deny a license if the
4 applicant is insolvent, has failed to demonstrate the financial
5 responsibility, experience, character, and general fitness
6 required, as determined by rule, has failed to pay the \$100
7 fee, or has failed to demonstrate the availability of at least
8 \$25,000 in assets for use in the conduct of the business for
9 the licensed office and each licensed branch office.

10 The bill requires the superintendent to issue a license
11 within 120 days of receiving an application unless grounds
12 exist for denying it. A license is valid for one year,
13 from January 1 to December 31, remains in full force until
14 surrendered, revoked, or suspended, and is not assignable or
15 transferable. A license remains the property of the state
16 and must be immediately returned to the superintendent if a
17 licensee voluntarily surrenders it. A license must be posted
18 conspicuously in the office of the licensee and any licensed
19 branch offices.

20 The bill requires a licensee to designate the principal
21 place of business to be indicated on the license. A licensee
22 wishing to maintain more than one place of business may
23 obtain a branch office license by submitting an application
24 as prescribed by the superintendent and paying a \$250 fee.
25 A licensee is prohibited from conducting flexible credit
26 loan transactions under any name or location different than
27 what is indicated on the license, provided, however, that
28 a licensee may provide loans by mail or electronic means,
29 make an accommodation to a consumer at any location upon
30 the consumer's request, or conduct an administrative, loan
31 servicing, or recordkeeping activity at any other location if
32 the superintendent is notified. A licensee can change the
33 license location by giving the superintendent written notice to
34 amend the license.

35 The bill prohibits a licensee from conducting flexible

1 credit loan transactions from any licensed office location
2 where other business activities unrelated to flexible credit
3 lending occur without giving notice to the superintendent. The
4 superintendent may prohibit a licensee from conducting business
5 as a flexible credit lender in conjunction with, or at the
6 location of, such other business.

7 The bill allows a licensee to obtain a renewal license by
8 submitting an application as prescribed by the superintendent
9 no later than December 1 and paying a \$250 fee. A renewal
10 application submitted after December 1 is subject to a \$10 late
11 fee for each day it is late. The license of a licensee who has
12 not filed a renewal or paid the fee by December 31 expires.

13 The bill allows the superintendent to deny a renewal license
14 or suspend or revoke a license if the licensee is insolvent,
15 is not a person of honesty, truthfulness, and good character,
16 as determined by rule, has failed to pay the renewal fee, has
17 failed to file an annual report, has failed to demonstrate
18 the availability of at least \$25,000 in assets for use in the
19 conduct of the business for each office, or has violated a
20 provision of the bill either knowingly or negligently. The
21 superintendent may deny a renewal license or suspend or revoke
22 a license if a fact or condition exists to have warranted the
23 superintendent to refuse to originally issue the license.

24 The bill requires a licensee to keep records for the
25 superintendent to determine whether the licensee is complying
26 with the bill for at least two years. A licensee must make
27 all records kept outside of the state available to the
28 superintendent within three business days upon request. A
29 licensee must provide the superintendent with access to the
30 licensee's records during normal business hours.

31 The bill requires a licensee to provide the superintendent
32 with an annual report on or before April 1, which may be
33 extended for no more than 60 days upon showing good cause. The
34 report must include the licensee's average annual percentage
35 rate, as defined in the bill, average loan amount during the

1 12-month period ending the preceding December 1, and the
2 total number of flexible credit loan transactions completed
3 in the prior two years. The superintendent must compile a
4 report of such information on at least an annual basis and
5 make the report available to the public. The superintendent
6 may prepare the annual report of a licensee who has failed
7 to file an annual report and charge a fee based on the cost
8 of preparation. A licensee who has failed to file an annual
9 report without an extension is also subject to a civil penalty
10 not to exceed \$5 for each day until the report is filed, which
11 must be paid within 30 days of being charged.

12 The bill provides that the revocation, suspension,
13 surrender, cancellation, or alteration of a license will not
14 impair or affect the validity of a preexisting flexible credit
15 loan or the ability of a lender to service a preexisting loan
16 outside of this state.

17 The bill restricts a licensee from advertising in any false
18 or misleading manner with regards to the rates or terms of a
19 flexible credit loan and requires a licensee to comply with
20 the advertising requirements in the federal Truth in Lending
21 Act. A licensee cannot provide a flexible credit loan to a
22 consumer with more than one outstanding flexible credit loan,
23 and the consumer must represent in writing that the consumer
24 has no such outstanding loans. A licensee is prohibited from
25 conditioning a loan on a consumer's agreement to repay by
26 recurring automatic electronic fund transfers.

27 A licensee cannot provide a flexible credit loan to a
28 military member or dependent with an annual percentage rate
29 greater than that allowed by federal law. Before a licensee
30 may provide a flexible credit loan, the consumer must sign
31 a statement attesting to whether or not the consumer is a
32 military member or dependent. A loan made in violation of 10
33 U.S.C. §987 is void and its terms and conditions unenforceable.

34 The bill provides that a flexible credit loan provided
35 by a person who is required to be licensed under new Code

1 chapter 536B but who is not licensed is void and its terms and
2 conditions unenforceable. However, any other noncompliance
3 with new Code chapter 536B, except pertaining to military
4 members and their dependents, will not affect the validity of
5 a flexible credit loan.

6 The bill requires a licensee to comply with the disclosure
7 requirements in the federal Truth in Lending Act. A licensee
8 must display a disclosure sign, as described in the bill, at
9 each desk in the licensed office and each licensed branch
10 office and on the licensee's internet site if the licensee
11 provides electronic flexible credit loans. A licensee who
12 fails to do so is subject to a civil penalty not to exceed \$300
13 for each violation.

14 The bill allows a licensee to charge a finance charge,
15 as defined in the bill, on a flexible credit loan at a rate
16 not to exceed 24 percent per month. However, a licensee is
17 not permitted to compound a finance charge. In addition to
18 this, a licensee may collect a delinquency charge, court costs
19 and reasonable attorney fees, and a dishonored check service
20 fee, as described in the bill. A licensee is prohibited
21 from collecting any other charges or fees in connection with
22 conducting flexible credit loan transactions.