

**HOUSE BILL No. 2278**

By Committee on Financial Institutions

2-3

9 AN ACT relating to the consumer credit code; concerning alternative  
10 finance charges on certain consumer loans.

11

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

13 Section 1. (1) With respect to a consumer loan having an amount  
14 financed of at least \$100 but not more than \$1,500, a licensee may charge  
15 in lieu of the finance charges specified in K.S.A. 16a-2-401, and amend-  
16 ments thereto, both of the following:

17 (a) An acquisition charge for making the loan that does not exceed  
18 the lesser of 10% of the amount financed or \$75; and

19 (b) a monthly installment account handling charge that does not ex-  
20 ceed the following amounts:

21	AMOUNT FINANCED	PER MONTH CHARGE
22	\$100 UP TO \$300	\$12.50
23	More than \$300 up to \$500	15.00
24	More than \$500 up to \$750	17.50
25	More than \$750 up to \$1,000	20.00
26	More than \$1,000 up to \$1,250	22.50
27	More than \$1,250 up to \$1,500	25.00

28 (2) The minimum term of any loan made under this section is four  
29 months. The maximum term of any loan made under this section is 18  
30 months and 15 days. The first installment shall be due not less than 15  
31 days but not more than 45 days after the loan is made. All loans shall be  
32 scheduled to be payable in substantially equal installments at equal pe-  
33 riodic intervals.

34 (3) On a loan subject to the alternative charges authorized by this  
35 section, no other finance or any other charge or fee is permitted except  
36 as specifically provided in this section and except for the delinquency  
37 charges under K.S.A. 16a-2-502, and amendments thereto, court costs,  
38 reasonable attorney fees and the dishonored check service fee under  
39 K.S.A. 16a-2-501, and amendments thereto.

40 (4) The acquisition charge authorized under this section shall be fully  
41 earned at the time the loan is made and is not subject to refund, except  
42 that if the loan is prepaid in full, refinanced or consolidated within the  
43 first 60 days both of the following apply:

1 (a) The first \$10 of the acquisition charge shall be retained by the  
2 lender; and

3 (b) the remainder shall be refunded at the rate of  $\frac{1}{60}$  of the acqui-  
4 sition charge per day beginning on the day after the date of prepayment,  
5 refinancing or consolidation and ending on the 60th day after the loan  
6 was made.

7 (5) On the prepayment of a loan made pursuant to this section, the  
8 unearned portion of the installment account handling charge shall be  
9 refunded to the consumer.

10 The unearned portion of the installment handling charge that is re-  
11 funded shall be calculated by multiplying the charge by a fraction in which  
12 the numerator is the number of days remaining in the loan term and the  
13 denominator is the original number of days contracted for in the loan  
14 term. If the refund amount is less than \$1, the lender is not required to  
15 make a refund to the consumer.

16 (6) The rates and charges permitted by this section shall not apply to  
17 payday loans specified in K.S.A. 16a-2-404, and amendments thereto.

18 (7) A lender and related interest shall not have more than two loans  
19 made under this section outstanding to the same borrower at any one  
20 time.

21 (8) Each loan agreement made under this section shall contain the  
22 following notice in at least 10 point bold face type: NOTICE TO BOR-  
23 ROWER: KANSAS LAW PROHIBITS THIS LENDER AND THEIR  
24 RELATED INTEREST FROM HAVING MORE THAN TWO LOANS  
25 OUTSTANDING TO YOU AT ANY ONE TIME. A LENDER CAN-  
26 NOT DIVIDE THE AMOUNT YOU WANT TO BORROW INTO  
27 MULTIPLE LOANS IN ORDER TO INCREASE THE FEES YOU  
28 PAY.

29 (9) The contract rate of any loan made under this section shall not  
30 be more than 3% per month of the loan proceeds after the maturity date.

31 (10) In determining whether a consumer loan transaction made under  
32 the provisions of this section is unconscionable conduct under K.S.A.  
33 16a-5-108, and amendments thereto, consideration shall be given, among  
34 other factors, to:

35 (a) The ability of the borrower to repay within the terms of the loan  
36 made under this section; or

37 (b) the original request of the borrower for amount and term of the  
38 loan are within the limitations under this section.

39 (11) This section shall be supplemental to and a part of the uniform  
40 consumer credit code.

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