

HCS SCS SB 777 -- SALE OF CERTAIN FINANCIAL PRODUCTS AND PLANS
ASSOCIATED WITH LOAN TRANSACTIONS

SPONSOR: Pearce (Jones, 89)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial
Institutions by a vote of 12 to 0.

This substitute allows lending institutions to offer, sell, and finance automobile club memberships, certain service contracts and vehicle protection devices issued by providers, and other plans and services providing a benefit to the borrower if the cost is disclosed separately from the loan contract, the lender does not require the purchase of the plan as a condition for the approval of the loan, the plan can be canceled within 30 days and a refund received, and the plan has a written acknowledgment of the intent to purchase the plan by the customer. However, no plan may include reimbursement for a deductible on a property insurance claim, and all optional products must be clearly identified as optional.

The sale of a deficiency waiver addendum, guaranteed asset protection, or a similar product purchased as part of a loan transaction with collateral and at the borrower's consent is authorized if the cost of the product is disclosed in the loan contract, is reasonable, and meets specified requirements. A debtor may cancel an addendum, protection, or other similar product within 15 days of its purchase and must receive a full refund.

FISCAL NOTE: No impact on state funds in FY 2011, FY 2012, and FY 2013.

PROPOSERS: Supporters say that the bill will clarify current practice with regard to the sale of automobile club memberships, home and auto security plans, and other plans and services providing a benefit to borrowers while also providing consumer protections.

Testifying for the bill were Senator Pearce; Missouri Bankers Association; Missouri Credit Union Association; Missouri Financial Services Association; and Financial Insurance Marketing Cooperative.

OPPOSERS: There was no opposition voiced to the committee.