

HCS HB 571 -- CONSUMER LOANS

SPONSOR: Owen

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Financial Institutions by a vote of 12 to 0. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 11 to 1 with 1 voting Present.

The following is a summary of the House Committee Substitute for HB 571.

CONTRACTS FOR MOTOR VEHICLE TIME SALES (Sections 365.100 and 365.140 RSMo)

The bill updates a statutory reference for the allowance of a fee for a check with insufficient funds, from repealed Section 408.653 to Section 570.120, which allows a charge of \$25 plus the amount actually charged by the bank for the bounced check. The bill states that if a retail installment contract is paid in full, the buyer must be given proof of payment in full.

INTEREST AND FEES FOR LOANS (Sections 408.035, 408.100, 408.140, and 408.178)

Currently, the parties to a loan may agree in writing to the interest rate and fees on a business loan of \$5,000 or more. This bill removes such loans from statute and instead adds loans that are an extension of credit primarily for agricultural, business, or commercial purposes.

Currently, the parties to a small loan may contract for the interest rate as agreed by the parties, except that it excludes loans that are secured by a lien on nonprocessed farm products, livestock, farm machinery, or crops or loans to corporations. This bill removes that exclusion.

This bill allows a small loan to charge the reasonable and bona fide third-party fees incurred in filing or recording an instrument to secure a loan. Currently, the lender of the loan can charge up to \$25 for a bounced check. This bill instead allows the charge to be up to \$25 plus the amount actually charged by the bank for the bounced check.

Currently, a small loan lender may collect a fee in advance in exchange for deferring up to three loan payments; this bill removes this provision of law.

Currently, a lender may collect certain fees for deferring loan

payments on loans that are originally \$600 or more. This bill removes the requirement that the loan be \$600 or more.

SECOND MORTGAGE LOANS (Sections 408.233 and 408.234)

This bill allows for a charge on the reasonable and bona fide third-party fees for remote or electronic filing on a second mortgage.

This bill removes a prohibition on lenders from making a second mortgage loan in an amount of less than \$2,500.

RETAIL CREDIT SALES (Section 408.250)

This bill allows fees for retail credit sales to include fees incurred by the lender or a bona fide third-party for remote electronic filing or recording.

DEFAULTS (Sections 408.553 and 408.554)

Currently, a lender, upon default, may recover the amount the borrower would have been required to pay upon prepayment, with interest. The bill instead allows a lender to collect the amount due and accrued under the agreement, including interest and penalties through the date of payment in full or the date of a final judgment. After a judgment, the bill additionally allows the lender to recover simple interest, as applied to the amount of the judgment until the day the judgment is paid.

The bill removes a provision that in the event of a second default on a small loan or retail credit sale loan or a third default on a second mortgage loan, the borrower will have no right to cure the default.

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPONENTS: Supporters say that this bill streamlines compliance, promotes small business and farm lending, allows for third party recording, clarifies language in the event of defaults, and corrects references in statutes. The goal of this legislation is to provide clarity in the law where vagueness has left the law open to interpretation.

Testifying for the bill were Representative Owen and Missouri Bankers Association.

OPPONENTS: Those who oppose the bill submitted online written

testimony.

Testifying against the bill were Arnie Dienoff and Marla Marantz.

Written testimony has been submitted for this bill. The full written testimony can be found under Testimony on the bill page on the House website.