

FIRST REGULAR SESSION

HOUSE BILL NO. 692

103RD GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE MURRAY.

1742H.011

DANA RADEMAN MILLER, Chief Clerk

AN ACT

To repeal section 408.505, RSMo, and to enact in lieu thereof one new section relating to consumer installment loans.

Be it enacted by the General Assembly of the state of Missouri, as follows:

Section A. Section 408.505, RSMo, is repealed and one new section enacted in lieu thereof, to be known as section 408.505, to read as follows:

408.505. 1. This section shall apply to:

(1) Unsecured loans made by lenders licensed or who should have been licensed pursuant to section 408.500;

(2) Any person that the Missouri division of finance determines that has entered into a transaction that, in substance, is a disguised loan; and

(3) Any person that the Missouri division of finance determines has engaged in subterfuge for the purpose of avoiding the provisions of this section.

2. All loans made pursuant to this section and section 408.500, shall have a minimum term of fourteen days and a maximum term of thirty-one days, regardless of whether the loan is an original loan or renewed loan.

3. A lender may only charge simple interest and fees in accordance with sections 408.100 and 408.140. No other charges of any nature shall be permitted except as provided by this section, including any charges for cashing the loan proceeds if they are given in check form. However, no borrower shall be required to pay a total amount of accumulated interest and fees in excess of ~~seventy-five~~ **sixty-five** percent of the initial loan amount on any single loan authorized pursuant to this section for the entire term of that loan and all renewals authorized by section 408.500 and this section.

EXPLANATION — Matter enclosed in bold-faced brackets ~~thus~~ in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 4. A loan made pursuant to the provisions of section 408.500 and this section shall be
19 deemed completed and shall not be considered a renewed loan when the lender presents the
20 instrument for payment or the payee redeems the instrument by paying the full amount of the
21 instrument to the lender. Once the payee has completed the loan, the payee may enter into a
22 new loan with a lender.

23 5. Except as provided in subsection 3 of this section, no loan made pursuant to this
24 section shall be repaid by the proceeds of another loan made by the same lender or any person
25 or entity affiliated with the lender. A lender, person or entity affiliated with the lender shall
26 not have more than five hundred dollars in loans made pursuant to section 408.500 and this
27 section outstanding to the same borrower at any one time. A lender complies with this
28 subsection if:

29 (1) The consumer certifies in writing that the consumer does not have any outstanding
30 small loans with the lender which in the aggregate exceeds five hundred dollars, and is not
31 repaying the loan with the proceeds of another loan made by the same lender; and

32 (2) The lender does not know, or have reason to believe, that the consumer's written
33 certification is false.

34 6. On a consumer loan transaction where cash is advanced in exchange for a personal
35 check, a return check charge may be charged in the amounts provided by sections 408.653
36 and 408.654, as applicable.

37 7. No state or public employee or official, including a judge of any court of this state,
38 shall enforce the provisions of any contract for payment of money subject to this section
39 which violates the provisions of section 408.500 and this section.

40 8. A person does not commit the crime of passing a bad check pursuant to section
41 570.120 if at the time the payee accepts a check or similar sight order for the payment of
42 money, he or she does so with the understanding that the payee will not present it for payment
43 until later and the payee knows or has reason to believe that there are insufficient funds on
44 deposit with the drawee at the time of acceptance. However, this section shall not apply if the
45 person's account on which the instrument was written was closed by the consumer before the
46 agreed-upon date of negotiation or the consumer has stopped payment on the check.

47 9. A lender shall not use a device or agreement that would have the effect of charging
48 or collecting more fees, charges, or interest than allowed by this section, including, but not
49 limited to:

50 (1) Entering into a different type of transaction;

51 (2) Entering into a sales lease back arrangement;

52 (3) Catalog sales;

53 (4) Entering into any other transaction with the consumer that is designed to evade the
54 applicability of this section.

55 10. The provisions of this section shall only apply to entities subject to the provisions
56 of section 408.500 and this section.

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