
DIGEST

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HB 501 Original

2018 Regular Session

Chad Brown

Abstract: Creates the Louisiana Installment Loan Act and regulates installment loans.

Proposed law enacts the Louisiana Installment Loan Act.

Proposed law enumerates definitions for the purposes of proposed law in order to provide for clarification.

Installment Loans

Proposed law requires any installment loan offered by a licensee to adhere to the following:

- (1) The term of the loan can be no less than 6 months and no more than 12 months.
- (2) The amount of the loan can be no less than \$500.00 and no more than \$1500.00.
- (a) Requires the restriction imposed, relative to maximum loan amounts, to be adjusted every other year by the commissioner of the office of financial institutions (hereinafter "commissioner" and "OFI", respectively) to reflect the percentage changes indicated in the most recent Consumer Price Index (hereinafter "CPI") as published by the Bureau of Labor Statistics of the Dept. of Labor.
- (b) Intends to allow for installment loan limits to increase in conjunction with increases in the cost of living and other market fluctuations as represented by the CPI.
- (3) A licensee is prohibited from imposing any penalty for the prepayment of an installment loan.
- (4) A licensee is prohibited from offering any installment loan that requires a total of monthly scheduled payments that exceeds 20% of the gross monthly income of the borrower.
 - (a) For the purposes of determining a borrower's gross monthly income pursuant to proposed law, proposed law requires a licensee to obtain and maintain third-party verification of all income considered in making the determination.
 - (b) For the purposes of proposed law, "monthly" means a period extending from a given date in 1 calendar month to the same date in the succeeding calendar month, or if there is no same

date in the succeeding calendar month, the last day of the succeeding calendar month.

Proposed law provides that an installment loan may be either unsecured or secured by personal property of the borrower.

Proposed law requires an installment loan to include, along with any other applicable present law requirements, the following:

- (1) A next-business-day customer's right of rescission for any installment loan.
- (2) A notice informing the customer that complaints may be made to the commissioner, including the telephone number and address of the office of the commissioner.

Proposed law states that, in conjunction with an installment loan, a licensee may impose an origination charge, to be collected upon origination, up to a maximum of 20% on the first \$300 of the loan and an additional 7.5% on any remaining loan amount not to exceed the maximum amount allowed pursuant to the provisions of proposed law.

Proposed law states that the licensee may also impose any of the following:

- (1) A monthly service charge to be collected on the 1st day of each month, not to exceed 7.5%.
- (2) A charge in an amount not to exceed 45% APR for a period not to exceed 1 year.

Proposed law states that, in conjunction with an installment loan, a borrower may do the following:

- (1) After entering into an initial installment loan, a borrower may enter into 1 consecutive unsecured loan; however, the borrower is not allowed to enter into any additional consecutive unsecured loan until at least 30 days have lapsed from the conclusion of the consecutive unsecured loan.
- (2)(a) Relative to any consecutive unsecured loan described in proposed law, a borrower may opt into an extended payment plan at no cost imposed by the licensee.
- (b) The extended payment must provide the borrower with an additional 60 days in which to pay the remainder of the consecutive unsecured loan amount and allow the borrower to pay such amount in up to a maximum of 4 separate payments.

Proposed law provides that in the event a borrower is delinquent in the payment of a monthly payment pursuant to the terms of an installment loan, the licensee may charge and collect from the borrower a late charge of 10% of the delinquent amount provided that the terms of such a charge are clearly disclosed in the installment loan agreement.

Proposed law states that no such charge as described in proposed law may be imposed against a borrower unless the borrower has failed to pay the delinquent amount within 10 business days after

the due date.

Proposed law further states that in the event a borrower is delinquent in the payment of a monthly payment for more than 60 days, the licensee may charge and collect from the borrower any of the following, provided that such penalties are clearly disclosed in the installment loan agreement:

- (1) A reasonable collection charge and attorney fees if the licensee is required to employ a third party, including but not limited to an attorney, to collect from the borrower.
- (2) Any court costs or court-awarded damages, including those incurred in any appellate proceeding, relating to collection from the borrower.
- (3) Any fees and costs incurred relating to the repossession or sale of collateral of the borrower.

Proposed law states the provisions of proposed law are not applicable to the following:

- (1) Certain banks and financial institutions and associations organized, certified, and supervised or chartered by an agency of either the U.S. or the state of La., any other state or territory of the U.S., or D.C. pursuant to banking, currency, and related laws of the U.S. or the state of La., any other state or territory of the U.S., or D.C.
- (2) A subsidiary of any state or federally chartered entity of the above referenced entities in which 80% or more of the ownership rests with such parent entity.

Proposed law directs OFI to promulgate any rules and regulations in accordance with the Administrative Procedure Act necessary to implement the provisions of proposed law.

Effective January 1, 2019.

(Adds R.S. 6:1371-1376)