March 14, 2005

H 621. SMALL INSTALLMENT CONSUMER LOANS. *TO ALLOW ALTERNATIVE INTEREST RATES AND MATURITIES FOR LOANS NOT EXCEEDING TWELVE HUNDRED DOLLARS.* Enacts new Article 15A of GS Chapter 53, the Small Installment Consumer Loan Act. Requires that persons engaged in the business of making loans in the amount of $1,200 or less obtain a license. Requires that to become and remain licensed, business must demonstrate financial responsibility and show that business has loanable assets of at least $50,000 at all times. Authorizes application fee of $250 and a licensing fee in an amount provided in GS 53-122. Prohibits business from charging an acquisition charge over 10% of the loan and sets a maximum installment account handling charge which varies by the amount of the loan, ranging from 4.5% for loans up to $300 to 2% for loans over $1,000 but no more than $1,200. Prohibits additional charges except for a delinquent payment charge of $10.00 on installments not paid within 10 days of due date, a return check charge, fees to perfect lender's security interest, and interest after maturity at a rate equal to 8% per year. Provides that the minimum term of any loan is three months and the maximum term is 18 months, and that loan repayments must be made in substantially equal monthly installments. Exempts certain businesses from act, including banks, trust companies, and savings and loan associations organized under NC law. Makes violation of article a Class 1 misdemeanor. Amends GS 53-173 (NC Consumer Finance Act, Maximum rate of interest) to authorize licensees to collect a delinquent payment charge, equal to the greater of $10.00 or 5% of the amount not paid, for payments made 10 days or more after due date. Makes conforming changes.

Intro. by Wright.

Ref. to Financial Inst GS 53