



# SENATE BILL 679: NC Consumer Finance Act Amendments

2015-2016 General Assembly

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<b>Committee:</b>		<b>Date:</b>	July 24, 2015
<b>Introduced by:</b>	Sens. Gunn, Newton, D. Davis	<b>Prepared by:</b>	R. Erika Churchill
<b>Analysis of:</b>	Fifth Edition		Committee Counsel

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**SUMMARY:** *Senate Bill 679 would make the following changes to the Consumer Finance Act:*

- *Allow for recovery of court costs by lenders in certain actions to recover loans.*
- *Make clarifying changes to provisions pertaining to multiple loan contracts and repeal a separate statute limiting loans in multiple offices that refers to loan limits that no longer exist after the Act was amended in 2013.*
- *Make clarifying changes to provisions that require additional notice and restrictions for borrowers who are military service members.*
- *Make a conforming change to a provision on enforcement of loans made outside of the State to match the loan amounts allowed under the Act as amended in 2013.*

**CURRENT LAW:** Under current law, the North Carolina Consumer Finance Act, Article 15 of Chapter 53 of the General Statutes, is the only State law that specifically authorizes nonbank lenders to make small unsecured loans. This Act authorizes the Commissioner of Banks to license and to supervise loan companies that make direct consumer loans of \$15,000 or less. The Act sets out terms and interest rates and permissible fees and charges, provides limitations on agreements and practices, and provides for additional requirements and restrictions for lenders making loans to military service members. Lenders that do not charge interest rates higher than those permitted by Chapter 24 of the General Statutes are exempt from this Act. Also exempted are banks, trust companies, savings and loan associations, cooperative credit unions, agricultural credit corporations, production credit associations, pawnbrokers, and installment paper dealers.

In 2013, the General Assembly passed legislation that amended the Consumer Finance Act. S.L. 2013-162 increased the maximum loan amount authorized under the act, modified the interest rates, authorized some additional fees, placed additional requirements on lenders, and specifically provided requirements and restrictions for lenders entering into loan agreements with military service members.

**BILL ANALYSIS:** Senate Bill 679 would make clarifying changes to the North Carolina Consumer Finance Act following the 2013 revision of the Act as follows:

*Recovery of costs.* Section 1 would allow a lender to recover court costs and other reasonable costs incurred in bringing an action to recover a loan if the borrower requests the lender to take a voluntary dismissal of the action or if the loan is reduced to a judgment.

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Multiple loans. Sections 2 and 3 would make clarifying changes to provisions prohibiting splitting contracts and multiple contracts and repeal a separate section, G.S. 53-179, which prohibits multiple contracts in multiple offices but references loan limits that were repealed in 2013.

Limitations for military members. Section 4 would make clarifying changes to protections that were put into place in 2013 specific to borrowers who are military service members. It would reorganize language to make clear the definition of "covered" member is a military service member with a rank of E4 or below, allow for notification of the borrower's Commanding Officer or Executive Officer, and give specific examples of acceptable documentation for identifying covered members.

Out of state loans. Section 5 would make a conforming change to the statutory provision in the Act related to enforcement of loans made out of State by raising the maximum amount for those loans to match the maximum now allowed in North Carolina under the Act.

**EFFECTIVE DATE:** The act would become effective September 1, 2015.

*Wendy Graf Ray substantially contributed to this summary.*