SENATE BILL 162: Loan Origination/Late Payment Charge Changes.

2019-2020 General Assembly

Committee:	Senate Rules and Operations of the Senate	**Date:**	March 12, 2019
Introduced by:	Sens. Krawiec, Rabon, Lowe	**Prepared by:**	Jessica Sammons* Staff Attorney
Analysis of:	First Edition		

OVERVIEW:* *Senate Bill 162 would make technical and clarifying changes, adjust the loan origination fee for banks, and adjust the late payment charge for certain loans.

[As introduced, this bill was identical to H223, as introduced by Reps. Conrad, Jones, Grange, B. Turner, which is currently in House Banking.]

CURRENT LAW and BILL ANALYSIS:

Origination Fee:

Currently, any bank or savings institution may charge an origination fee not to exceed the greater of ¼ of 1% or $50.00 on loans or extensions of credit under $300,000 and not secured by real property.

Senate Bill 162 would adjust the amount of the origination fee allowed by banks of savings institutions as follows:

Principal Amount	Maximum Origination Fee
$0 to $1,499.99	$100.00
$1,500 to $19,999.99	$150.00
$20,000 to $29,999.99	$175.00
$30,000 to $49,999.99	$200.00
$50,000 to $99,999.00	$250.00
$100,000 - $300,000	¼ of 1% of loan amount

Senate Bill 162 would also limit the annual percentage rate (APR) to 36% or less, inclusive of origination fees and interest, on loans or extensions of credit given by banks or savings institutions, not secured by real property, if the following conditions are met:

- The loan or extension of credit has a principal amount less than $5,000.
- The borrower is a natural person.
- The debt is incurred primarily for personal, family, or household purposes.

Late Fee:

Currently, Chapter 24 limits late fees to 4% of the amount of the payment past due or less.

Senate Bill 162 would allow banks or savings institutions to charge the greater of $35.00 or 4% of the amount of the payment past due as a late fee on a loan or extension of credit that meets all of the following:

- The loan or extension of credit is made by a bank or savings institution.
- The loan or extension of credit is not secured by real property.
- The original principal balance is greater than or equal to $1,500.

The late payment must be at least 30 days past due for a loan where interest is paid in advance or at least 15 days past due on any other loan.

EFFECTIVE DATE: Senate Bill 162 would become effective when it becomes law, and apply to contracts entered into, renewed, or modified on or after that date.

**Amy Darden, counsel to Senate Commerce & Insurance, substantially contributed to this summary.*