

## No. 1998-167

## AN ACT

## HB 2005

Amending the act of April 8, 1937 (P.L.262, No.66), entitled, as amended, "An act relating to consumer credit; requiring licenses from the Secretary of Banking; restricting licenses to domestic business corporations; fixing minimum capital requirements; conferring certain powers on the Secretary of Banking; limiting interest and other charges; providing certain exemptions; and imposing penalties," further defining the phrase "revolving loan account"; providing for other services and products; and further providing for maturity of loans, for service charge and for written receipt and sale of assets.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The definition of "revolving loan account" in section 2 of the act of April 8, 1937 (P.L.262, No.66), known as the Consumer Discount Company Act, amended December 18, 1984 (P.L.1083, No.216), is amended to read:

Section 2. Definitions.—The following terms shall be construed in the act to have the following meanings, except in those instances where the context clearly indicates otherwise:

\* \* \*

"Revolving loan account" means an agreement pursuant to which (i) the licensee may permit the borrower to obtain one or a series of loans or advances from time to time; Provided, however, That the aggregate of the unpaid principal balances due a licensee from a consumer under this act on any date shall not exceed the sum of [**fifteen thousand dollars (\$15,000)**] *twenty-five thousand dollars (\$25,000)*, (ii) the unpaid principal balances and the appropriate charges are debited to an account, (iii) the charges for the loan are computed on the outstanding unpaid principal balances of the account from time to time, and (iv) the borrower has the privilege of paying the balances in installments.

\* \* \*

Section 2. Clauses F and Q of section 13 of the act, amended December 9, 1982 (P.L.1072, No.249), are amended to read:

Section 13. Powers Conferred on Licensees.—In addition to the general powers conferred upon a corporation by the Business Corporation Law of this Commonwealth, a corporation licensed under this act shall have power and authority:

\* \* \*

F. To charge, contract for, receive or collect on any contract a service charge of [**one dollar (\$1.00)**] *one dollar and fifty cents (\$1.50)* for each fifty dollars (\$50), or fraction thereof, provided that the total service charge shall not exceed [**one hundred dollars (\$100)**] *one hundred fifty dollars (\$150)* on any contract.

\* \* \*

Q. To conduct the business regulated by this act in any licensed place of business where another business is conducted by the licensee or another person unless the Secretary of Banking shall find, after a hearing, the conduct of the other business has concealed evasions of this act and shall order such person to desist from such conduct[.] **and to offer other services and products for voluntary purchase subject to the provisions of this clause.**

**(1) The licensee, or such other person, may offer the types of products or services described in subclause (2) provided, however, that if the products or services are to be offered to an applicant or applicants for a loan:**

**(i) the products or services shall not be offered to such applicant or applicants until the loan has been approved and the applicants, or the applicant being offered the service or product in the case of co-applicants, have been advised that the loan has been approved, either orally or in writing;**

**(ii) when the applicant has been advised that the loan is approved and products or services are then offered orally, by telephone or otherwise, the applicant shall also be advised that the purchase of the service or product is not required in order to qualify for the loan and that the purchase thereof is voluntary;**

**(iii) whether or not an oral disclosure has been made as provided in paragraph (ii), the applicant or applicants shall be provided a separate and distinct disclosure written in plain language to be signed by the applicant prior to the closing of the loan which clearly states that the purchase of the service or product is not required in order to obtain the loan and that the purchase thereof is voluntary; and**

**(iv) if the cost of the service or product is to be included in the loan and paid from the loan proceeds, a separate loan proceeds check shall be drawn, made payable to the borrower or borrowers, for the cost or price of the service or product which may then be endorsed by the borrower or borrowers to the vendor of the service or product after closing at the option of the borrower or borrowers.**

**(2) A licensee may offer the types of services and products described in this subclause and may conduct or permit others to conduct the types of business described in this subclause within the same office, room or place of business where the licensee conducts its licensed business without prior approval by the Secretary of Banking.**

**(i) Automobile security plans which provide protection against automobile emergencies and which provide for full or partial reimbursement of certain costs incurred as the result of such emergencies, such as towing, lost key service, emergency transportation, stolen automobile expenses, bail bonds, emergency treatment expense, legal defense and similar or related items, which may include extended warranties, travel discounts and service items, among other things.**

*(ii) Home security plans which provide protection against home emergencies and provide full or partial reimbursement of certain costs incurred because of home emergencies, such as medical costs, health insurance deductibles, pharmacy service, extended warranties, lost or stolen key protection, credit card liability coverage, and which may include life-saving training, home security training and protection services and products, among other things.*

*(iii) First mortgage lending in accordance with all applicable Federal and State law and regulation.*

*(iv) Secondary mortgage lending in accordance with all applicable Federal and State law and regulation.*

*(v) Sales finance agreements pursuant to applicable law and regulation.*

*(vi) Income tax preparation services.*

*(vii) Commercial or business loans, including installment sales financing contracts for commercial purposes.*

*(viii) Credit card agreements, including additional services or goods which are or may be offered in connection with such credit cards or credit card agreements.*

\* \* \*

Section 3. Clause H of section 14 of the act, amended March 3, 1976 (P.L.36, No.17), is amended and the section is amended by adding a clause to read:

Section 14. Licensee Requirements and Limitations.—\* \* \*

H. A licensee shall not discount or deduct interest in advance on any contract, for any period in excess of [five years] *seven years* and fifteen days.

*I. A licensee may sell contracts to and buy contracts from another licensee upon giving prior written notification to the Secretary of Banking. The written notification shall state the name and address of the licensee to whom or from whom the contracts are being sold or purchased, the type of loan and number of contracts in the transaction and their aggregate principal balances. A licensee may not sell contracts to a person or corporation not holding a license under this act without the prior written approval of the Secretary of Banking.*

Section 4. Section 16 of the act, amended December 9, 1982 (P.L.1072, No.249), is amended to read:

Section 16. [Receipts] *Receipt* for Payment.—A licensee shall furnish, at the time payment of any installment on a contract is made in cash, a written receipt setting forth the account number or other identification mark or symbol, the date of the payment, *and* the amount paid [and upon request of the borrower the unpaid balance of the account prior to and after the cash payment].

Section 5. This act shall take effect immediately.

APPROVED—The 21st day of December, A.D. 1998.

THOMAS J. RIDGE