INSTALLMENT LOAN LAWS IN THE VARIOUS STATES [2]

INSTALMENT LOAN STATUTES

Instalment loan laws are generally exceptions to the interest-usury laws because they allow a lender making a consumer loan to receive a rate of interest greater than the legal or contract rate. This is done either directly, by prescribing a higher rate of interest, or indirectly, by allowing the lender to add the interest charges to or deduct it in advance from the legal or contract interest rates. Approximately four-fifths of the states have enacted special instalment loan laws. All of the laws have applicability to banks, though many of the states have also extended the laws to corporations and individuals who comply with the statutory provisions. Industrial loans and small loan or consumer finance loan laws are not included in the chart. Summaries of these laws may be found charted, respectively, at ¶ 44 and 41. See ¶ 31 for a detailed "Interest-Usury" chart, which sets out state rules concerning interest rates.

CHART CONTENTS . . .

The statutory enactments in each state range from one or two provisions authorizing the lender to receive a greater rate of interest on loans, to multiple provisions which also regulate the terms, special charges and conditions under which the loan may be made. The "Instalment Loan Laws" chart provides state-by-state information covering instalment loan laws under the following nine major headings:

Lenders

The heading "lenders" tells who is authorized to make an instalment loan. In the great majority of the states, licensing is not required for instalment loan lenders; however, any applicable registration or qualification provisions are set forth under this heading.

Maximum Loan

The limit on the amount which a lender may loan to one borrower appears under "maximum loan." It may be expressed in terms of a dollar amount, either inclusive or exclusive of interest and charges, or it may be expressed in terms of a percentage of the lender's loanable assets. One state, South Carolina, sets forth a minimum limitation rather than a maximum. Other states have no special provision regarding the maximum loan.

Interest Charges

Instalment loan rates of interest vary from state to state. The rates represent the maximum charge that may be made expressed in a percentage per annum or in dollars per $100 dollars per year. The heading "interest charges" also provides information as to whether interest may be taken in advance or added to the principal amount of the loan, computation of the charges, and minimum charges which may be made in lieu of interest.

Maximum Time

The "maximum time" feature of the chart tells whether lender is subject to a time period during which a loan may be outstanding or the time over which instalment payments may extend.

Payments and Refunds

The "payments and refunds" heading is divided into two sub-headings. *Instalment* provides information as to the interval and amount requirements of each instalment or periodic payment. *Prepayment* covers whether a borrower is permitted to repay the amount of the loan before maturity, and, if so, the amount of refund of unearned interest charges he is entitled to receive. Authorized

[2] 1966, Commerce Clearing House, Inc.