INTRODUCED BY FABREGA, CHRISTIAENG

IN THE HOUSE

January 14, 1983

January 25, 1983

January 26, 1983

January 27, 1983
Januaxy 28, 1983

January 29, 1983

January 31, 1983

March 4, 1983
karch 7. 1983

March 9, 1983

Introduced and referred to Comaittee on Business and Industry.

Committee recommend bill do pass as amended. Report sdopted.

Bill printed and placed on members' desks.

Second reading, do pasi.
Considered correctly engrossad.

Third reading, passed. Tranmitted to Senate.

IA THE SEAATE
Introducad and referred to Committee on Business and Industry.

Compittee recommend bill be concurred in. Report adopted.

Second reading, concurred in.

Third raading, concurxed in. Ayes, 49: Noes, 0.

IN THE HOUSE
March 9. 1983

Returned to House.

Maxch 10. 1983
Sent to enrolling.
Reported correctly enrolled.
INTRODUCED BY AILL NO N 244
A BILL FOR AN ACT ENTITLED: *AN ACT LIMITING THE APPLICATION DF THE RULE DF TBIHS METHOD OF COMPUTING INTEREST AND REFUNDS OH PREPAYMENT TO LOANS AND RETAIL INSTALLMENT CONTRACTS MADE FOR A TIME PERIOD DF NOT MORE THAN 61 MONTHS; AMEMOING SECTIONS 31-1-242 AND 32-5-301. MCA: AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AMD AN APPLICABILITY CLAUSE** be it enacted by the legislature df the state of montana: Section 1. Section 31-1-242, MCA, is amended to read= -31-1-242. Refunds on prepayment. 14 Notwithstanding the provisions of any retail installment contract to the contrary, any buyer may prepay in fully at any time before maturity, the debt of any retail installment contract and in so paying such debt shall receive a refund credit thereon for such anticipation of payments.
12) In a contract mere the period of the contract daes nat exceed 61 monthsiz the the amount of such refund shall represent at least as great a proportion of the finance charge as the sum of the monthly time balances beginning 1 month after prepayment is made bears to the sum of all the monthly time balances under the schedule of
payment in the contract. Where the amoumt of credit is less than 51 , no refund need be made."

Section 2. Section 32-5-301, MCA, is amended to read:
"32-5-301. Charges, refundsy penalties, filing fees. (1) Every licensee hereunder may contract for and receive on any loan of money not exceeding $\$ 1,000$ in principal amount:
(a) charges at rates not in excess of $\$ 20$ per year per $\$ 100$ on that part of the priscipal amount of the ioan not exceeding $\$ 500 ;$
(b) $\$ 16$ per year per $\$ 100$ on that part of the principal amount of the loan exceeding $\$ 500$ but not exceeding $\$ 1,000$.
(2) The holder of a supplementary license may contract for and receive charges at rates authorized for icensees in subsection (1) for the first $\$ 1,000$ of the principal amount of any loan and may contract for and receive charges at rates not in excess of $\$ 12$ per year per $\$ 100$ on that part of the principal amount of any loan exceeding $\$ 1,000$ but not exceeding 37,500.
(3) Charges in (1) and (2) shall be computed at the applicable rates on the full, original principal amount of the loan from the date of the loan to the due date of the final scheduled installment irrespective of the fact that the loan is payable in installments. Said charges shall be added to the principal of the loan and shall not be
discounted or deducted therefrom or paid or received at the time the loan is made. For the purpose of computing charges for a fraction of a month, $a$ day shall be considered one-thirtieth of a month.
(4) On loans of $\$ 90$ or less a licensee may charge, in lieu of charges specified in (1) of this section not in excess of $\$ 1$ for each $\$ 5$ of cash or credit advanced to the borrower up to the awount of $\$ 90$. A period of at least 15 days must be allowed for the repayment of each $\$ 5$ cash or credit advancede such charges cannot be assessed by any subterfuge or device on any loan over $\$ 90$ or on any balance of $\$ 90$ or less when the original loan was greater than $\$ 90$.
(5) When any loan contract, new loany renewaly or otherwisey for a peciod of not eore_than_6l_enth is paid In full by cash 1 month or more before the final installment datef the licensee shall refund or credit the borrower with that portion of the total charges which shall be due the borrower as determined by schedules prepared under the rule of 78ths or sum of the digits principle as foliows the amount of the refund or credit shall be as great a proportion of the total charges originaliy contracted for as the sum of the consecutive wonthly balances of the contract scheduled to follow the date of prepayment beark to the sum of all the consecutive monthiy balances. of the contract. both sums to be determined according to the payment schedule

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originally contracted for.
(6) If the contract so providesp the additional charge for any amount past due according to the original terns of the contract, whether by reason of default or extension agreement, may be \(5 \%\) of the amount past due, and said amount may be charged once and no more.
(7) (a) The licensee may include in the principal amount of any loan the actual fees paid a public official or ageniy of the state for filing, recording, or releasing any instrument securing the loan.
(b) The licansee may include in the principal amount of any loan bona fide charges related to real estate security and paid to third parties, including:
(i) fees or premiums for title examinationy title insurancep or similar purposesp including survey;
(i) fees for preparation of a deed. settlement statement or other documerts;
(fif) fees for notartzing deeds and other documents;
(iv) appraisal fees;
(v) fees for credit reports; and
(vi) fees pald to a trustee for release of a trust deed -
(8) No further or other charges shall be directiy or indirectly contracted for or received by any licensee except those specifically authorizad by this chaptero No licensee
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#### Abstract

shall divide into separate parts any contract made for the purpose of or with the effect of obtaining charges in excess of those authorized by this chapter. All balances due to a licensee from any person as a borrower or as an endorser, guar antor, or surety for any borfower or otherbise or due from any husband or wifey jointily or severally shall be considered a part of any loan being made by a' licensee to such person for the purpose of compating interest or charges. If any amount in excess of the charges pernitted by this chapter is chargede contracted fors and received, except as the result of an accidental and bona fide error of computation, the licensee shall have no right to collect or receive any charges. (9) Un any loan of money exceeding $\$ 7,500$ in principal amount. a licensee may not make charges as provided in subsections (1) and (2) but shall make charges in accordance with the provisions of this subsection through subsection (12). (10) 0n any loan of money exceeding $\$ 7,500$ but not exceeding \$25,000 in principal amount. a jicensee may contract and receive charges at a rate not in excess of $2 \%$ per month on the principal amount as follows: (a) Charges shall be computed on unpaid balances of the principal amount outstanding from time to time for the actual time outstanding. Each payment shall be applied


#### Abstract

first to accumulated charges and the remainder of the payment applied to the unpaid principal balance. except that If the amount of the payment is insufficient to pay the accumulated charges, unpaid charges contime to accumulate to be paid from the proceeds of subsequent payments and are not added to the principal balance. (b) Charges made under this subsection may not be payable in advance or compounded. However. if part or all of the consideration for a new loen contract is the unpaid principal balance of a prior loane the principal amount payable under such new loan contract may include any unpaid charges which have accrued. The resulting loan contract is a new and separate loan transaction for all purposes. The principal balance of a prior loan on which charges have been made pursuant to subsections (1) and $\{2\}$ is the balance due after refund or credit is given to the borrower pursuant to subsection (5). (11) For purposes of computing charges for a fraction of a month, a day is considered one-thirtieth of a month. (12) The provisions of subsections (5) and (6) do not apply to loans made under subsections (9) through (11). (13) The amounts of $\$ 90$, $5500,51,000, \$ 7,500$, and s25,000 in subsections (1), (2), (4), (9), and (10) are subject to change pursuant to the provisions of 32-5-104 on adjustment of dollar amountse*


1 MEM SECLION: Section 3. Limitation of rule of 78ths. 2 The sum of the montriy time balances method of computing 3 interest or refunds on prepayment, which is also known as 4 the rule of 78ths, may not be used in any loan agreement or 5 retail installment contract unless the tern of the loan or 6 contract toess not exceed 61 months.

7 MEM SECIIOM. Section 4. Effective date. This act is 8 effective on passage and approval.

9 NEW SECTIOAE Section 50 Applicability. This act entered inte after the effective date of this act.
-End-

HOUSE BILL NO. 244
INTRODUCED BY FABREGA, CHRISTIAENS

A Bill fur an act entitled: "an act limiting the APPLICATION OF THE RULE OF 7BTHS METHOD OF COMPUTING INTEREST AND REFUNDS ON PREPAYMENT TO LOANS AND RETAIL installment contracts made for a time period of not more THAM 61 MONTHS; RROYSOLNG_EOB_REEUND_OR_CREDLI_ON_EBEPAYHENI ON_LQANS_OR_CQAIRACIS_EXCEEDING_GLMONIHS: AMENDING SECTIONS 31-1-242 AND 32-5-301. MCA; AND PROVIDING AN IMMEDIATE effective date and an applicability clausea=
be it enacted of the legislature of the state of muntana:
Section 1. Section 31-1-242. MCA, is amended to read:
-31-1-242. Refunds on prepayment. 41 Notwithstanding the provisions of any retail iastallment contract to the contrary, any buyer may prepay in full, at any time before maturity, the debt of any retail instaliment contract and in so paying such debt shall receive a refund credit thereon for such anticipation of payments.

121_-In_a_contract_where_the_periad_of_the_contract does_not_exceted_6l_monthse_the Fhe amount of such refund shall represent at least as great a proportion of the finance charge as the sum of the monthly time balances beginning 1 month after prepayment is made bears to the sum
of all the monthly time balances under the schedule of payment in the contract. Where the amount of credit is less than $s 1$, no refund need be made.
(3)_IN_ANY CONIRACI_HHERE_IHE_RERIOD QE_IHE_CONIRACI EXCEEDS_61_MONIHS_ IHE_AMOUNI QE SUCH_REEUND_IS IHE_RORIIGN QE_IHE_ORIGINAL_EENANGE_CHARGE_IHAI_IS_ARPLIGABLE_IO_ALL EULLY_UNEXRIRED__MONIHS__IN__IHE_COMIRACI_AS__ORLGIMALIY SCAEDULED_OR_IE DEEERRED\&_AS_DEEERRER__EOLLOIIUG_IHE_DAIE_OE RRERAYHENI__EUR_IHLS_PURROSE:_IHE_ARRLICABLE_CHARGE_1S_IHE CHABGE_IHAI_HOULD_HAXE_BEEN_EAKNED_EOR_IHAI_PERIOD\&_IE_工IHE CONIBAGI_KERE_KOI_PREGQMPUIEDE_BY_APRLYING_IO_IHE_UARALQ RRINGIRAL_BALANCE_ACCOBOING_IO_IHE_ACIUABIAL_HEIHOR\&_IHE ANAUAL_REECENIAGE_BAIE_OISCLOSED_RUESUANI_IO_EEOERAL_LAMI BASED_2N_IUE_ASSURIION_IHAL_ALL_-RAYMEMIS_HERE_MADE_AS QBIGINALLYSCHEQULED天"

Section 2. Section 32-5-301, MCA, is amended to read:
"32-5-301. Charges, refunds, penalties, filing fees.
(1) Every licensee hereunder may contract for and receive on any loan of money not exceeding $\$ 1,000$ in principal amount:
(a) charges at rates not in excess of $\$ 20$ per year per $\$ 100$ on that part of the principal amount of the loan not exceeding $\$ 500$;
(D) $\$ 16$ per year per $\$ 100$ on that part of the principal amount of the loan exceeding $\$ 500$ but not exceeding 31,000 .
(2) The nolder of a supplementary license may contract for and receive charges at rates authorized for licensees in subsection (l) for the first $\$ 1$ \& 000 of the principal amount of any loan and may contract for and receive charges at rates not in excess of $\$ 12$ per year per $\$ 100$ on that part of the principal amount of any loan exceeding $\$ 1,000$ but not exceeding $\$ 7,500$.
(3) Charges in (1) and (2) shall be computed at the applicable rates on the full, original principal amount of the loan from the date of the loan to the due date of the final scheduled installment irrespective of the fact that the loan is payable in installments. Said charges shall be added to the principal of the loan and shall not be discounted or deducted therefrom or paid or received at the time che loan is made. For the purpose of computing charges for a fraction of a month, a day shall be considered one-thirtieth of a month.
(4) on loans of $\$ 90$ or less a licensee may charge, in lieu of charges specified in (1) of this sectiony not in excess of 51 for each $\$ 5$ of cash or credit advanced to the oorrower up to the amount of 590 . A period of at least 15 days must de allowed for the repayment of each $\$ 5$ cash or credit adyanced. Such charges cannot be assessed by any subterfuge or device on any loan over $\$ 90$ or on any balance of $\$ 90$ or less when the original loan was greater than $\$ 90$.
(5) (A) when any loan contract, new loan, renewal, or otherwiser for_a_geriod_of_not_more_than_6l_months is paid in full by cash 1 month or more before the final installment date, the licensee shall refund or credit tne borrower with that portlon of the total charges which shall be due the borrower as determined by schedules prepared under the rule of 78ths or sum of the digits principle as follows: the amount of the refund or credit shall be as great a proportion of the total charges originally contracted for as the sum of the consecutive monthly balances of the contract scheduled to follow the date of prepayment bears to the sum of all the consecutive monthly balances of the contract, both sums to be determined according to the payment schedule originally contracted for.

CA1 YHEN_ANY_LOAN_CONIBACI\& NEH_LOANA_BEMEHALR OR DIHERHISEs_EQR_A_PERIOR_DF, HCRE_IHAN_Gh_HDNIHSE_LS_PAID_IN EULL_BYEASH_ONEMONIH_OR_MORE GEEQREIHE-EIHAL_IUSIALLMENI DAIER_IHE_LICENSEE SHALL_REEUND_OR_GREQLI_IHE_BORROHEB_KIIH IHAI_RORIION_OE THE_IOIAL_CHARGES_IHAI_IS_DUE_IHE BRRROHER IHAI_IS_APRLICABLEIO_ALL_EULLY UNEXRIBED_MONIUS_IW_THE
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ZAYEENIS_HERE_HADE_AS_QRIGINALLY_SCBEDULED__EOR_ALG_LOANS
IHAI_MAY_BE_SUBJECI_IQ_IHIS_SECIION&_CHABGES_ARE_GOMPUTED
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    (0) If the contract so provides, the additional charge
    for any amount past due according to the original terms of
    the contract, whether by reason of default or extension
    agreement, may be 5% of the amount past due, and said amount
    may be cnarged once and no more.
    (7) (a) The licensee may include in the principal
    amount of any loan the actual fees paid a pudlic official or
    agency of the state for filing, recording, or releasing any
instrument securing the loan.
    (b) Ihe licensee may include in the principal amount
of any loan bona fide charges related to real estate
security and paid to third parties, including:
    (i) fees or premiums for title examination, title
insurance, or similar purposes, including survey;
    (ii) fees for preparation of a deed, settlement
statement, or other documents;
    (iii) fees for notarizing deeds and other documents;
    (iv) appraisal fees;
    (v) fees for credit reports; and
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(vi) fees paid to a trustee for release of a trust deed.
(8) No further or other charges shall be directiy or indirectly contracted for or received by any licensee except those specifically authorized by this chapter. No licensee shall divide into separate parts any contract made for the purpose of or with the effect of obtaining charges in excess of those authorized oy this chapter. All balances due to a licensee from any person as a borrower or as an endorser. guarantor, or surety for any borrower or otherwise or due from any husband or wife, jointly or severally, shall be considered a part of any loan being made by a licensee to such person for the purpose of computing interest or charges. If any amount in excess of the charges permitted by this chapter is charged, contracted for, and received, except as the result of an accidental and bona fide error of computation, the licensee shall have no right to collect or receive any charges.
(9) Un any loan of money exceeding $\$ 7,500$ in principal amount, a licensee may not make charges as provided in subsections (1) and (2) but shall make charges in accordance with tine provisions of this subsection through subsection (12).
(10) On any loan of money exceeding $\$ 7,500$ but not exceading $\$ 25,000$ in principal amounty a licensee may
contract and receive charges at a rate not in excess of $2 x$ per month on the principal anount as follows:
(a) Charges shall be computed on unpaid balances of the principal amount outstanding from time to time for the actual time outstanding. Each payment shall be applied first to accumulated charges and the remainder of the payment applied to the unpaid principal balancep except that if the amount of the payment is insufficient to pay the accumulated charges, unpaid charges continue to accumulate to be paid from the praceeds of subsequent payments and are not added to the principal balance.
(b) Charges made under this subsection may not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principai balance of a prior loan, the principal amount payable under such new loan contract may inciude any unpaid charges which have accrued. the resulting loan contract is a new and separate loan transaction for all purposes. The principal dalance of a prior loan on which charges have been made pursuant to subsections (1) and (2) is the balance due after refund or credit is given to the borrower pursuant to subsection (5).
[11) For purposes of computing charges for a fraction of a month, a day is considered one-thirtieth of a month. (12) The provisions of subsections (5) and (6) do not

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apply to loans made under subsections (9) through (11).
    (13) The amounts of $90, $500, $1,000, $7,500, and
$25,000 in subsections (1), (2), (4), (7), and (10) are
subject to change pursuant to the provisions of 32-5-104 on
adjustment of dollar amounts.*
    NEH_SECILONa Section 3. Limitation of rule of 78ths.
The sum of the monthiy time balances method of computing
interest or refunds on prepayment, which is also known as
the rule of 78ths, may not be used in any loan agreement or
retail installment contract unless the term of the loan or
contract does not exceed 6l months.
    NEH_SEGILOM. Section 4. Effective date. This act is
effective on passage and approval.
    NEM_SECILONe Section 5. Mpplicability. This act
applies only to loan agreements and insiallment contracts
entered into after the effective date of this act.
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## HOUSE BILL NO. 244

## INTRDDUCED BY FABREGA, CHRISTIAENS

a bill for an act entitledz man act limiting the APPLICATION OF THE RULE OF TETHS METHOD DF COMPUTING INTEREST AND REFUNDS ON PREPAYMENT TO LOANS AND RETAIL INSTALLMENT CONTRACTS MADE FOR A TIME PERIOD OF NOT MORE THAN 61 MONTHS ; RROYIDING_EOR_BEEUND_OR_CREDIT_ON_RRERAYAENT ON_LOANS_OR_COMIRACIS_EXCEEDLAGGK_MOMIHS: AMENDING SECTIONS 31-1-242 AND 32-5-301, MCA; ANO PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY CLAUSE."

BE IT ENACTED bY THE LEGISLATURE OF THE STATE DF montana: Section 1. Section 31-1-242; MCAp is amended to read: *31-1-242. Refunds on prepayment. (1) Notwithstanding the provisions of any retail installment contract to the contrary, any buyer may prepay in full, at any time before maturity, the debt of any retail installment contract and in so paying such debt shall receive a refund credit thereon for such anticipation of payments.
42)_Ln_a_contract_whece_the_Reriod_of_the_coatract dees_oot_exceed_6l_monthse_the Fhe amount of such refund shall represent at least as great a proportion of the finance charge as the sum of the monthiy time balances beginning 1 month after prepayment is made bears to the sum

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of all the monthly time balances under the schedule of
payment in the contract. Where the amount of credit is less
than s1, no refund need be made.
    (3)_XM_ANY CONIRACI WHERE THE_PERIOR_OE_THE_CONTRACI
EXCEEOS_61_MDMIHS_IHE_AMOUNL_OE_SUCH_BEEUAD_IS_IHE_POBILON
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ELLK__UNEXRIRED_HDMIHS__IH__IHE_COMIBAEI__AS_ORLGIMALLY
SCHEOULEO_OR_IE_DEEERREDR_AS_DEEERRED&EOLLDMIMG_IHE_DAIE OE
gRERAYHENI__EDR_THIS_PURRQSE:_IHE_ARPLICABLE_CHABGE_IS_IHE
CHARGE_IHAI HOULD_HAYE_BEEN_EARMED_EOR_IHAL_PERIOR&_IE__IHE
CONIRAGI_MERE_NOI_PREGOMRUIEDA_BY_ARRLYIHG_IO_THE UAPALD
RRINGIRAL_BALANCE__ACCOROING_TO_IHE_ACTUARIAL_GEIHOD&__IHE
ANWUAL_PERCENIAGE__BAIE__DLSCLOSEO_RURSUANI_IO_EEOERAL__LAHR
BASEO_OM IHE ASSHRTION_IHAI_ALL_RAYHEMIS_HERE_MAOE_AS
OBIGXNALLY_SCHEDULED"*
    Section 2. Section 32-5-301, MCA, is amended to read:
    w32-5-301. Charges, refunds, penalties, filing fees.
(1) Every licensee hereunder may contract for and receive on
any loan of money not exceeding $1,000 in principal amount:
    (a) charges at rates not in excess of $20 per year per
$100 on that part of the principal awount of the loan not
exceeding $500;
    (b) $$6 per year per $$00 on that part of the
principal amount of the loan exceeding $500 but not
exceeding $1,000.
THIRD READING
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(2) The holder of a supplementary license may contract for and receive charges at rates authorized for licensees in subsection (1) for the first $\$ 1,000$ of the principal amount of any loan and may contract for and receive charges at rates not in excess of $\$ 12$ per year per $\$ 100$ on that part of the principal amount of any loan exceeding $\$ 1,000$ but not exceeding $\$ 7,500$.
(3) Charges in (1) and (2) shall be computed at the applicable rates on the full, original principal amount of the loan from the date of the loan to the due date of the final scheduled installment irrespective of the fact that the loan is payable in installmants. Said chargas shall be added to the principal of the loan and shall not be discounted or deducted therefrom or paid or received at the time the loan is made. For the purpose of computing charges for a fraction of a month, a day shall be considered one-thirtieth of a month.
(4) On loans of $\$ 90$ or less a licensee may chargen in lieu of charges specified in (1) of this sectiong not in excess of $\$ 1$ for each $\$ 5$ of cash or credit advanced to the borrower up to the amount of 890 . A period of at least 15 days must be allowed for the repayment of each 35 cash or credit advanced. Such charges cannot be assessed by any subterfuge or device on any loan over $\$ 90$ or on any balance of $\$ 90$ or less when the original loan was greater than $\$ 90$.
(5) (Al when any loan contract, new loang renewaly or otherwisev for a_period_of_not_more_than_6l_months is paid in full by cash 1 month or more before the final installment date, the licensee shall refund or credit the borrower with that portion of the total charges which shall be due the borrower as determined by schedules prepared under the rule of $78 t h s$ or sus of the digits principle as follows: the amount of the refund or eredit shall be as great a proportion of the total charges originally contracted for as the sum of the consecutive monthly balances of the contract scheduled to follow the date of propayment bears to the sum of all the consecutive monthly balances of the contract, both sums to be determined according to the payment schedule originally contracted for.
18) HHEM_MX LOAN_COMIRACIE NEM LOAME_BENEMALE_OB;
 EULL_BY_TISH_OMEMONTH_OR_MORE_BEEOREIHE_EIMAL_INSTALLEENY QALE_IHE_LICEMSEE_SHAL_REEUNOOR_GBERLI_THE_BORROMER_HIH IHAL_RORIIOM_OE_IHETOLAL_GHAGES_IHALIS_DUE_IHE_BORROUER IHAI_IS ARRLICABLEIO_AL_ FULY Y UEXRLRED_MONIHS IN_IHE CDNIBACI_AS_ORIGIMALYY_SCHEOMED_OB IE DEEERSED:_AS DEEERRED,_EDLLUMIMG_IHE_DALE_OE PRERAYHEMI_EOR_IHIS_PURROSE IHE_ARELICABLE_EHARGE_IS THE CHARGE_HHLCH HOHLO_HAYE_BEEN EARNER ERR IHAI COMIBACIR_IE_CHABGES_HAD_MDI_BEEA RRECOMRUIEDA_BY_dRRLYMG_TR_THE_UNRALO_RRIMCLRAL_BALAMCER_BY

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IHE_ACIWARIAL_METHOD__THE_AUNUAL_PERCENIAGE__BAIE__OLSCLOSED
RUBSLAMI_IO_EEDEGAL_LLAM__BASED_OM_IHE_ASSUMRILDN_IHAI_ALL
RAYMEMIS_MERE_GADE_AS_ORIGIMALLY_SCHEDULED___ERR_ALL__LOANS
IHAI_MAY_BE_SUBAECI_IO_IHIS_SECIION_CHABGES_ABE_GOMPUIED
INIILALLY_IN_THE_SAME_MAMER USEO_IO__DEIEBGINE_IHE__anNMAL
rerceulage_baife
(6) If the contract so provides, the additional charge for any amount past due according to the original terms of the contract. whether by reason of default or extension agreement, may be \(5 \%\) of the amount past due, and said amount may be charged once and no more. .
(7) (a) The licensee may include in the principal amount of any loan the actual fees paid a public official or agency of the state for filing, recording, or releasing any instrument securing the loan.
(b) The licensee may include in the principal amount of any loan bona fide charges related to real estate security and paid to third parties, including:
(i) fees or premiums for title examination title insurance, or similar purposes, including survey;
(ii) fees for preparation of a deed, settlement statement, or other documents;
(iii) fees for notarizing deeds and other documents;
(iv) appraisal fees;
(v) fees for credit reports; and
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(vi) fees paid to a trustee for release of a trust deed.
(8) No further or other charges shall be directly or indirectly contracted for or received by any licensee except those specifically authorized by this chapter. No licensee shall divide into separate parts any contract made for the purpose of or with the effect of obtaining charges in excess of those authorized by this chapter. All balances due to a licensee from any person as a borrower or as an endorser. guarantor: or surety for any borrower or otherwise or due from any husband or wife, jointiy or severally shall be considered a part of any loan being made by a licensee to such person for the purpose of computing interest or charges. If any amount in excess of the charges permitted by this chapter is charged, contracted forp and received, except as the result of an accidental and bona fide error of computations the licensee shall have no right to collect or receive any charges.
(9) On any loan of money exceeding $\$ 7,500$ in principal amount, a licensee may not make charges as provided in subsections (1) and (2) but shall make charges in accordance with the provisions of this subsection through subsection (12).
(10) On any loan of money exceeding $\$ 7,500$ but not exceeding $\$ 25,000$ in principar amount, a licensee may
contract and receive charges at a rate not in excess of $2 \%$
per month on the principal amount as follows:
(a) Charges shall be computed on unpaid balances of the principal amount outstanding from time to time for the actual time outstanding. Each paywent shall be applied first to accumbiated charges and the remainder of the payment applied to the unpaid principal balancey except that if the amount of the payment is insufficient to pay the accumulated charges, unpaid charges continue to accumulate to be paid from the proceeds of subsequent payments and are not added to the principal balance.
(b) Charges made under this subsection may not be payable in advance or compounded. Howevery if part or all of the consideration for a new loan contract is the unpaid principal balance of prior loany the principal amount payable under such new loan contract may include any unpaid charges which have accrued. The resulting loan contract is a new and separate loan transaction for all purposes. The principal balance of a prior loan on which charges have been made pursuant to subsections (1) and (2) is the balance due after refund or eredit is given to the borrower pursuant to subsection (5).
(11) For purposes of computing charges for a fraction of a month, a day is considered one-thirtieth of a month.
(12) The provisions of subsections (5) and (6) do not
apply to loans made under subsections (9) through (11).
(13) The amounts of. $\$ 90, \$ 500, \$ 1,000,57,500$, and $\$ 25,000$ in subsections (1), (2), (4), (9), and (10) are subject to change pursuant to the provisions of 32-5-104 on adjustment of dollar amounts.*

MEM SECILOA. Section 3. Limitation of rule of 78ths. The sum of the monthiy time balances method of computing interest or refunds on prepaymente which is also known as the rule of 70ths, may not be used in any loan agreement or retail installment contract unless the term of the loan or contract does not exceed 61 months.

MEM SECIIOME Section 4. Effective date. This act is effective on passage and approval.

NEM_SEGLIOMe Section 5. Applicability. This act applies only to loan agreements and installment contracts entered into after the effective date of this act.
HOUSE BILL NO. 244
intronuceo by fabrega, Christiains
A BI: FOR AN ACT ENTITLED: AAN ACT LIMITING THE application of the rule of 78ths method of computing INTEREST ANO REFUNDS ON PREPAYMENT TO LOANS AND RETAIL installment contracts made for a time period of not more THAN GI MONTHS; RROYIRING_EQR_BEEUND_OR_CREQLI_ON_PREPAXBENI QN_LJYY_QR_CQNIRACIS_EXCEEDING_GL_UONIHS: AMENDING SECTIONS 31-i-242 AND 32-5-301, MCA; AND PROVIDING AN IMMEDIATE effective date and an applicability clause.*
ee it enacted by the legislature of rhe state of montana:
Section 1. Section 31-1-242, MCA, is amended to read:
"31-1-242. Refunds on prepayment. 111 Notwithstanding the arovisions of any retail installment contract to the contrary, any buyer may preday in full, at any time before maturity, the debt of any retail installment contract and in so paying such debt shall recelve a refund credit thereon for sich anticipation of payments.
121_-In_a_contract_mbere_the_oneriod__of_-_the__contcact doss_not__exseed_ 6l_monthse_the the amount of such refund shall represent at least as great a proportion of the finance charge as the sum of the monthly time balances beqinaing $l$ month after prepayment is made bears to the sum

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of all the monthiy time balances under the schedule of
payment in the contract. Where the amount of credit is less
than sl, no refund need be made.
(32_-LN__ANY_CONIBACI_HUERE_IHE_PERIDO_DE_IHE_CONTRALI EXCEERS_61_HONIHS2_IHE_AYOUNL_OE_SUCH_BEEUND_IS_IHE_PORIION QE__IHE_ORIGINAL__EINANCE_CHARGE_IHAI_IS_ARPLICABLE_IO_ALI
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Section 2. Section 32-5-301, MCA, is amended to read:
"32-5-301. Charges, refunds, Denalties, filing fees. (1) Every licensee hereunder may contract for and receive on any 1 oan of money not exceeding \(\$ 1,000\) in principal amount:
(a) charges at rates not in excess of \(\$ 20\) per year per \(\$ 100\) on that dart of the principal amount of the loan not exceeding \(\$ 500\);
(b) \(\$ 16\) per year per \(\$ 100\) on that part of the principal amount of the loan exceeding \(\$ 500\) but not exceerting \(\$ 1,000\).
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(2) The nolder of a supplementary license may contract for and receive charges at rates authorized for licensees in subsection (1) for the first $\$ 1,000$ of the principal amount of any 1 oan and may contract for and receive charges at rates not in excess of $\$ 12$ per vear per $\$ 100$ on that part of the orincipal amount of any loan exceeding $\$ 1,000$ but not exceeding $\$ 7,500$.
(3) Charges in (1) and (2) shall be computed at the applicable rates on the full, original principal amount of the loan from the date of the loan to the due date of the final scheduled installment irrespective of the fact that the loan is payable in installments. Said charges shall be added to the principal of the loan and shall not be discounted or deducted therefrom or paid or received at the time the loan is made. For the purpose of computing charges for a fraction of $a$ montho $a$ day shall be considered one-thirtieth of a month.
(4) On loans of $\$ 90$ or less a licensee may charge, in lieu of charges specified in (1) of this section, not in excess of $\$ 1$ for each $\$ 5$ of cash or credit advanced to the borrower up to the amount of $\$ 90$. A period of at least 15 days must be allowed for the repayment of each 55 cash or credit advanced. Such charges cannot be assessed by any subterfuge or device on any loan over $\$ 90$ or on any balance of $\$ 90$ or less when the original loan was greater than $\$ 90$.
(5) 1\&2 When any loan contract, new loan, renewal, or otherwiset for_a_ogrigd_of_not_moce_thgn_6h_months is paid in full by cash 1 month or more before the final installment date, the licensee shall refund or credit the borrower with that ourtion of the total charges which snall be due the borrower as determined by schedules prepared under the rule of 7aths or sum of the digits principle as follows: the amount of the refund or credit shall be as great a proportion of the total charges originally contracted for as the sum of the consecutive monthiy balances of the contract scheduled to follow the date of prepayment bears to the sum of all the consecutive monthly balances of the contract, both sums to be determined according to the payment schedule originally contracted for.
 DIUERHISE\&_EOR_A_PERIOD_OE_HORE_IHAN_OL_HONIHS_LLS_RAID_IN EULL_-BY_CASH_ONE_BOAIH_OR_GORE_BEEORE_IHE_ELHAL_INSIALLHENI DAIE__IHE_LICENSEE_SHALL_REEUND_QR_CBEDII_IHE_BORRONER_HLIH IHAI__EDRIIQA_ OE_IHE_IQIAL_CHARGES_IHAL_IS_DUE_IHE_BORRDHER IHAI_IS_ARPLICABLE_IO_ALL_-EULLY_UNEXRIRED_HONTHS_IN_IHE CONIRACI__AS__OBIGINALLY_SCHERULER_OR_IE_DEEERBER__AS DEEEBRERュ_EOLLOHING_IEE_DAIE_OE_RRERAYHENL__EQG_IHIS_RURPOSE IHE_ARRLICABLE_CHABCE_IS_IHE_CHABGE_HUCKH_HOULD_HAYE_BEEN EARNED__EQR__IHAI__CONIBACIs_IE_CHARGES_HAD_NOI__DEEV RRECQARUIEO_BY_ARPLYLNG_IO_IHE_UNRALR_PRLNCIRAL_BALANCER_BY

## IHE_ACIUARLAL_METHOR\&_IHE_ANAUAL_RERCENIAGE_BAIE__DISCLOSED RURSUANI__IQ__EERERAL_LAH_BASEU_ON_IHE_ASSUMPIION_IHAI_ALL RAYHENIS_HERE_MADE_BS_OBIGINALLY_SCHEDULED__-EOR__ALL_LOANS IHAI_ MAY__BE _SUBJECI_IO_IHLS_SECIION\&_CHABGES_ARE_COMPUIED INIILALLY_IN_IHE_SABE_MANNER_USED_IO__DEIERHINE_IHE_ANNUL REBGEDIAGERAIE.

(6) If the contract so provides, the additional charge for any amount dast due according to the original terms of the contract, whether by reason of default or extension arreenent, may be $5 x$ of the amount past due, and said amount may bo charged once and no more.
(7) (a) The licensee may include in the principal amount of any loan the actual fees paid a public official or nency of the state for fillno, recording, or releasing any instrument securing the loan.
(0) The licensee may include in the principal amount of any loan bona fide charges related to real estate security and naid to third parties, includinq:
(i) fees or premiums for title examination, title insurance, or similar purposes, including survey;
(i) fees for preparation of a deed, settlement statement, or other documents
(iii) fees for notarizing deeds and other socuments;
(iv) appraisal fees:
(v) fees for credit reports; and
(vi) fees paid to a trustee for release of a trust deed.
(B) No further or other charges shall be directly or indiroctiy contracted for or received by any licensee except those specifically authorized by this chapter. No licensee shall divide into separate parts any contract made for the purpose of or with the effect of obtaining charges in excess of those authorized by this chapter. All balances due to a licensee from any person as a borroner or as an endorser guarantory or surety for any borrower or otherwise or due from any husband or wife, jointly or severally, shall be consitered a part of any loan being made by a licensee to such person for the purpose of computing interest or charges. If any amount in excess of the charges permitted by this chapter is charqed, contracted for, and received, except as the result of an accidental and bona fide error of conputation, the licensee shall have no right to collect or receipe any charges.
(9) On any loan of money exceeding $\mathbf{5 7 , 5 0 0}$ in principal amount, a licensee may not make charges as provided in subsections (1) and (2) but shall make charges in accordance with the orovisions of this subsection through subsection (12).
(10) On any loan of money exceeding s7,50n but not exceeting $\$ 25,000$ in principal amounty a licensee may
contract and receive charges at a rate not in excess of $2 \%$ per month on the principal amount as follows:
(a) Charges shall be computed on unpaid balances of the orincipal amount outstanding from time to time for the actual time outstanding. Each payment shall be applied first to accumulated charges and the remainder of the payment applied to the unpaid principal balance, except that if the amount of the payment is insufficient to pay the accumalated charges, unpaid charges continue to accumulate to be paid from the proceeds of subsequent payments and are not afded to the principal balance.
(b) Charges made under this subsection may not be payable in advance or compounded. However. if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, the principal amount payable under such new loan contract may include any unpaid charges which have accrued. The resulting loan contract is a new and separate loan transaction for all purposes. The principal balance of a prior loan on which charges have been made pursuant to subsections (1) and (2) is the balance due after refund or credit is given to the borrower pursuant to subsection (5).
(11) For purposes of computing charges for a fraction of $a$ month, a day is considered one-thirtieth of a month.
(12) The provisions of subsections (5) and (6) do not

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apoly to loans made under subsections (9) through (11).
    (13) The amounts of $90, $500, $1,000, $7,500, and
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