

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 758

Short Title: Interest Rate Adjustments.

(Public)

Sponsors: Representative Miner.

Referred to: Financial Institutions.

April 5, 1995

A BILL TO BE ENTITLED

AN ACT TO ADJUST INTEREST RATES AND CHARGES BY LENDERS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 53-176 reads as rewritten:

"§ 53-176. **Optional rates, maturities and amounts.**

(a) In lieu of making loans in the amount and at the charges stated in G.S. 53-173 and for the terms stated in G.S. 53-180, a licensee may at any time elect to make loans in installments not exceeding ten thousand dollars (\$10,000) and which shall not be repayable in less than six months or more than 84 months and which shall not be secured by deeds of trust or mortgages on real estate and which are repayable in substantially equal consecutive monthly payments and to charge and collect interest in connection therewith which shall not exceed the ~~following actuarial rates:~~ rates provided in this section.

- (1) With respect to a loan not exceeding seven thousand five hundred dollars (\$7,500), thirty percent (30%) per annum on that part of the unpaid principal balance not exceeding one thousand dollars (\$1,000) and eighteen percent (18%) per annum on the remainder of the unpaid principal balance. Interest shall be contracted for and collected at the single simple interest rate applied to the outstanding balance that would

1 earn the same amount of interest as the above rates for payment
2 according to schedule.

3 (2) With respect to a loan exceeding seven thousand five hundred dollars
4 (\$7,500), eighteen percent (18%) per annum on the outstanding
5 principal balance.

6 (b) On or before October 15 of each year, the Commissioner shall announce and
7 publish the maximum rate of interest permitted by this section to be charged on loans
8 made during the calendar year beginning January 1 of the following year. The rate shall
9 be thirty percent (30%) per annum or the bank prime loan rate in effect on the last
10 business day of the preceding September plus twenty-one percent (21%), whichever is
11 higher, on that part of the unpaid principal balance not exceeding one thousand dollars
12 (\$1,000) and eighteen percent (18%) per annum on the remainder of the unpaid principal
13 balance. The 'bank prime loan' rate means the rate for loans defined and published in the
14 Federal Reserve Board Statistical Release H.15 Selected Interest Rates, rounded to the
15 nearest one-quarter of one percent (1/4 of 1%). Interest shall be contracted for and
16 collected at the single simple interest rate applied to the outstanding balance that would
17 earn the same amount of interest as the rates set forth in this subsection for payment
18 according to schedule.

19 The provisions of G.S. 53-173(b), (c) and (d) and G.S. 53-180(b), (c), (d), (e), (f), (g),
20 (h) and (i) shall apply to loans made pursuant to this section.

21 Any licensee under this Article shall have the right to elect to make loans in
22 accordance with this section by the filing of a written statement to that effect with the
23 Commissioner and on date of such notification begin making loans regulated by this
24 section for the following 12 months. Annually after such election a licensee may elect to
25 make loans in accordance with this section unless the licensee notifies in writing the
26 Commissioner of its intention to terminate such election.

27 The due date of the first monthly payment shall not be more than 45 days following
28 the disbursement of funds under any such installment loan. A borrower under this section
29 may prepay all or any part of a loan made under this section without penalty.

30 No individual, partnership, or corporate licensee and no corporation which is the
31 parent, subsidiary or affiliate of a corporate licensee ~~which that~~ is making loans under this
32 Article ~~otherwise than except~~ as authorized ~~specially~~ in this section, shall be permitted to
33 make loans under the provisions of this section. Any corporate licensee or individual or
34 partnership licensee ~~making an election that~~ elects to make loans in accordance with the
35 provisions of this section shall ~~respectively~~ be bound by ~~such that~~ election with respect to
36 all of its offices and locations in this State and all offices and locations in this State of its
37 parent, subsidiary or affiliated corporate licensee, or with respect to all of his or their
38 offices and locations in this State.

39 (c) In addition to the interest permitted in this section, the lender may assess at
40 closing a nonrefundable investigation charge as agreed upon by the parties, provided that
41 no third or subsequent investigation charge may be made within a 12-month period."

42 Sec. 2. This act is effective upon ratification.