

## **MISSOURI DIVISION OF FINANCE – CONSUMER CREDIT UNIT**

### **CONSUMER INSTALLMENT LENDERS**

#### **INTRODUCTION AND OVERVIEW:**

The governing authority for Consumer Installment Lenders is found in 408.510 & 20 CSR 1140-13.010. These loans are very much like Consumer Loans, but with some notable exceptions. For instance, the loans may be in any amount, secured or unsecured, but must be repayable in at least 4 equal installments over a period of 120 days. The loans may be precomputed, or simple interest.

Consumer Installment Lenders are licensed in exactly the same manner as Consumer Credit Lenders, and may also contract for interest and fees as provided for in 408.100, 408.140 and 408.170. In reviewing the regulations covering 408.510 loans you will note that 20 CSR 1140-13.010 (4) prohibits use of the “Rule of 78’s” or the “Sum of the Digits” method for calculating interest refunds. This regulation has been rendered void by 408.170 being amended to specifically permit a Consumer Credit Lender to avail themselves of this method of refund calculations. As with Consumer Credit Lenders, loans in amounts above \$5,000.00 require an actuarial refund. The loans are also subject to the default provisions 408.551 to 408.562.

Since Consumer Installment Lenders are actually a special category of Consumer Credit Lenders, the regulations found in 20 CSR 1140-5.010 and 20 CSR 1140-5.020 are also applicable to consumer installment lenders.

## CONSUMER INSTALLMENT LOANS (510)

The following is a quick reference guide for each section of chapter 367 and 408, and the various related regulations.

367.100	Defines the terms used in sections 367.100 to 367.215.
367.110	Requires a lender to obtain a certificate of registration.
367.120	Requires the application for a certificate of registration to be in writing and in a form prescribed by the director.
367.130	Gives the director the option of requiring a \$1,000 bond from a lender.
367.140	Establishes the amount, timing and display requirements for the certificate of registration (license).
367.150	Requires an annual report containing specific information from the lender.
367.160	Grants the director, or his examiners, the authority to conduct examinations and investigate complaints.
367.170	Authorizes and empowers the director to issue regulations covering consumer loans and credit insurance.
367.180	Requires the lender to keep books and records of the supervised business.
367.185	Requires specific additional disclosures for loans by mail and real estate loans. Requires the lender to conspicuously post the maximum rates and fees currently being charged.
367.190	Allows the director to suspend or revoke a license subject to a hearing.
367.200	Creates a penalty for violation of the act.
367.205	Requires an annual audit by a certified public accountant.
367.210	Requires the annual audit to be delivered to the director.
367.215	Prohibits the director from issuing a renewal license without the annual audit. A surety bond or letter of credit in the amount of \$100,000 may substitute for the audit.
408.100	Permits interest as the parties may agree on loan contracts with the exception of certain secured loans.
408.105	Establishes the formula for calculating extension fees on precomputed loans.
408.110	Cites sections 408.120 to 408.190 as the "Consumer Loan Act".
408.120	Describes acceptable methods of interest computation.
408.130	Establishes the requirements for the contents of a loan contract, requires paid notes be returned to the borrower, and requires the release of security.
408.140	Defines the permissible charges and fees.
408.145	Permits a lender to import credit card fees permissible in contiguous states.
408.150	No functional applicability.
408.160	Prohibits false advertising.
408.170	Establishes requirements for interest refund calculations.
408.175	Requires simple interest calculations at the contract rate for precomputed loans that mature or are accelerated.
408.180	Requires the director to verify the accuracy of interest calculations and refunds.
408.190	Limits coverage of the act to loans made pursuant to the act.
408.193	Prohibits a lender from making derogatory reports to a credit reporting agency for credit card holders that pay account balances in full by the due date.
408.200	No functional applicability.
408.210	Sets forth certain unenforceable contract provisions.

<b>The Following Regulations Pertain to Consumer Loans (367) and Consumer Installment Loans (510)</b>	
20 CSR 1140-5.010	Establishes detailed requirements for the annual audit.
20 CSR 1140-5.020 (1)	Requires a license fee.
20 CSR 1140-5.020 (2)	Establishes minimum record keeping requirements.
20 CSR 1140-5.020 (3)	Requires the lender to maintain a cash journal.
20 CSR 1140-5.020 (4)	Requires the lender to maintain a general ledger.
20 CSR 1140-5.020 (5)	Requires the lender to maintain an individual ledger.
20 CSR 1140-5.020 (6)	Requires the lender to maintain an alphabetical index.
20 CSR 1140-5.020 (7)	Requires each loan to have an account number.
20 CSR 1140-5.020 (8)	Establishes certain record maintenance requirements and permits examiner access to records.
20 CSR 1140-5.020 (9)	Prohibits erasures on individual ledgers.
20 CSR 1140-5.020 (10)	Establishes a record retention requirement.
20 CSR 1140-5.020 (11)	Establishes the formula for calculating extension fees on precomputed loans.
20 CSR 1140-5.020 (12)	Requires a separate license for each location of the lender.
20 CSR 1140-5.020 (13)	Makes it the lender's responsibility to see that motor vehicle titles are in the name of the borrower.
20 CSR 1140-5.020 (14)	Requires simple interest calculations at the contract rate for precomputed loans that mature or are accelerated.
Special Note	The remaining regulations are covered in the Credit Insurance module.

<b>The Following Regulations Pertain to Consumer Installment Loans (510)</b>	
20 CSR 1140-13.010 (1)	Makes the regulations for Consumer Credit Lenders applicable.
20 CSR 1140-13.010 (2)	Requires the lender to provide the borrower with a copy of the contract, and to retain a copy in the file.
20 CSR 1140-13.010 (3)	Permits loans in any amount, and establishes a minimum term.
20 CSR 1140-13.010 (4)	No functional applicability.
20 CSR 1140-13.010 (5)	Permits fees as provided for in 408.140.1.
20 CSR 1140-13.010 (6)	Requires paid notes to be returned to the borrower and security interests to be released.

The following is a cross-reference guide to some of the more fundamental sections of Chapters 367, 408 and the various regulations governing consumer loans.

Consumer Installment Loans	408.510
Additional Charges & Fees	408.140
Examination Authority	367.160
Extensions	408.105, 20 CSR 1140-5.020 (11)
License Display	367.140-2
Limitations on Security	408.558, Regulation AA, The FTC Credit Practices Rule
"Live Check" Loan Disclosures	367.185-2
Paid Notes	408.130-2
Rates & Fees Displayed	367.185-5
Record Retention	20 CSR 1140-5.020 (10)
Refunds	408.170