

**HOUSE BILL No. 2877**

By Representative Wells

2-13

AN ACT relating to payday loans; concerning finance charges; amending K.S.A. 2001 Supp. 16a-2-404 and repealing the existing section.

*Be it enacted by the Legislature of the State of Kansas:*

Section 1. K.S.A. 2001 Supp. 16a-2-404 is hereby amended to read as follows: 16a-2-404. (1) On consumer loan transactions in which cash is advanced:

(a) With a short term,  
(b) a single payment repayment is anticipated, and  
(c) such cash advance is equal to or less than \$860, a licensed or supervised lender may charge in lieu of the loan finance charges specified in K.S.A. 16a-2-401, and amendments thereto, the following amounts:

(i) On any amount up to and including \$50, a charge of ~~\$5.50~~ \$4 may be added;

(ii) on amounts in excess of \$50, but not more than \$100, a charge may be added equal to ~~10%~~ 8% of the loan proceeds plus a \$5 administrative fee;

(iii) on amounts in excess of \$100, but not more than \$250 a charge may be added equal to ~~7%~~ 5% of the loan proceeds with a minimum of ~~\$10~~ \$8 plus a \$5 administrative fee;

(iv) for amounts in excess of \$250 and not greater than the maximum defined in this section, a charge may be added equal to ~~6%~~ 4% of the loan proceeds with a minimum of ~~\$17.50~~ \$12.50 plus a \$5 administrative fee.

(2) The maximum term of any loan made under this section shall be 30 days.

(3) A lender and related interest shall not have more than two loans made under this section outstanding to the same borrower at any one time.

(4) Each loan agreement made under this section shall contain the following notice in at least 10 point bold face type: NOTICE TO BORROWER: KANSAS LAW PROHIBITS THIS LENDER AND THEIR RELATED INTEREST FROM HAVING MORE THAN TWO LOANS OUTSTANDING TO YOU AT ANY ONE TIME. A LENDER CANNOT DIVIDE THE AMOUNT YOU WANT TO BORROW INTO

1 MULTIPLE LOANS IN ORDER TO INCREASE THE FEES YOU  
2 PAY.

3 (5) The contract rate of any loan made under this section shall not  
4 be more than 3% per month of the loan proceeds after the maturity date.  
5 No insurance charges or any other charges of any nature whatsoever shall  
6 be permitted, except as stated in subsection (7), including any charges  
7 for cashing the loan proceeds if they are given in check form.

8 (6) Any loan made under this section shall not be repaid by proceeds  
9 of another loan made under this section by the same lender or related  
10 interest. The proceeds from any loan made under this section shall not  
11 be applied to any other loan from the same lender or related interest.

12 (7) On a consumer loan transaction in which cash is advanced in  
13 exchange for a personal check, a return check charge may be charged if  
14 the check is deemed insufficient as defined in paragraph (e) of subsection  
15 (1) of K.S.A. 16a-2-501, and amendments thereto.

16 (8) In determining whether a consumer loan transaction made under  
17 the provisions of this section is unconscionable conduct under K.S.A. 16a-  
18 5-108, and amendments thereto, consideration shall be given, among  
19 other factors, to:

20 (a) The ability of the borrower to repay within the terms of the loan  
21 made under this section; or

22 (b) the original request of the borrower for amount and term of the  
23 loan are within the limitations under this section.

24 (9) This section shall be supplemental to and a part of the uniform  
25 consumer credit code.

26 Sec. 2. K.S.A. 2001 Supp. 16a-2-404 is hereby repealed.

27 Sec. 3. This act shall take effect and be in force from and after its  
28 publication in the statute book.

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