

Approved: March 24, 1999
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE .

The meeting was called to order by Chairperson Senator Don Steffes at 9:00 a.m. on March 22, 1999, in Room 529 S of the Capitol.

All members were present except: Senator Paul Feleciano, Excused

Committee staff present: Dr. Bill Wolff, Research
Ken Wilke, Office of Revisor
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Chuck Stones, Kansas Bankers Association
Kathy Taylor Olson, Kansas Bankers Association
Matt Goddard, Heartland Banking Association
Acting Consumer Credit Commissioner David Brant
Steve Rarrick, Assistant Attorney General
Dean Robison, Hutchinson
Joe Olson, Salina
Danny Brewer, Junction City
Pat Leonard, Paola
Jill Sterling, Topeka
Carla Mongan, Coffeyville

Others attending: See Attached

In response to a request from Chairman Steffes, Chuck Stones of the Kansas Bankers Association, presented testimony on overdraft charges and other fees charged by banks (Attachment 1). Mr. Stones explained the difference between overdrafts and insufficient fund checks. Overdrafts are checks written on an account which will be overdrawn with the cashing of the check so the bank covers the check and charges the customer an overdraft charge on each check cleared if the customer does not have overdraft "protection" through the bank. Insufficient checks are those that are returned to the person taking the check when there is not enough money in the account to cover the check. The bank makes the determination of whether the non-funded check is an overdraft or an insufficient check. Banks would not have to offer any sort of protection for overdrafts or even consider them as it is statutorily illegal for a person to write a check on an account which does not contain enough money to cover the check. The charges for overdrafts are quite expensive due to processing. Mr. Stones denied that banks consider overdraft charges, fees for overdraft insurance, and returning insufficient or non-funded checks as a major portion of their interest income. These are considered service fees. It was pointed out to Mr. Stones that the bank fee statistics were skewed due to larger banks charging more for overdraft charges due to higher costs and overhead than smaller banks who would have a much smaller number of such checks. There is an on-going feud on whether fees can be capped on national banks if state-chartered banks' fees are capped.

Matt Goddard, Heatland Banking Association, defended Mr. Stones comments regarding the necessity for high overdraft charges (service fees) by stating that banks are not loaning money when a bad check is written; there must be an economic disincentive to stop this practice. It has been his experience that it is usually the same customers who repeatedly have overdrafts. A real problem occurs for banks when people close accounts and continue to write checks on the closed accounts as there is a tendency for the customer to ignore the amount owed the bank for processing and returning the checks. Most banks charge fees in relationship to what other banks are charging. Mr. Goddard reassured the Committee that banks do not consider these fees as interest; they are service charges. None of the banks he represents make consumer loans for \$100.

Kathy Taylor Olson, Kansas Bankers Association, reported that their Association has been working with regulators on Y2K in two phases since 1985. The second phase will be completed in June of 1999. The federal government has been assisting foreign countries in their preparation for Y2K.

Discussion on amendments for SB 301-Uniform consumer credit code

Acting Consumer Credit Commissioner David Brant presented amendments which should be added to the bill either as floor amendments or when the bill is in a House committee (Attachment 2).

CONTINUATION SHEET
SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Hearing on SB 272-Deferred compensation (pay day) loans

There were no proponents present for the bill introduced by Senator Feleciano.

Steve Rarrick, Assistant Attorney General, reminded the Committee of his previous testimony regarding payday loans during the hearing on **SB 301**. Even though their office does not take complaints on consumer credit, the Attorney General is of the opinion that the payday loan industry is not in the best interest of society as it spirals people into bankruptcy with the 390% interest rate.

Commissioner Brant said his office has no position on the payday loan bill. The bill is the product of the Consumer Federation of America due to the possibility of bankruptcy by such consumers.

Dean Robison, owner of Easy Cash Loan Company in Hutchinson, presented Committee members with copies of the proposed legislation listing their objections and comments in each section (Attachment 3). Also included was a copy of a loan agreement disclosing the terms of the loan which customers are required to complete. Mr. Robison explained that this industry is highly regulated and audited each year. Such loan companies earn higher fees than other financial loan companies or banks due to the higher risk involved due to no collateral being involved. County attorneys will not collect bad checks for the stores and they are allowed to go to small claims court only ten times per year. He reported a 5-10% growth in business annually.

Joe Olson, Payless Payday Loans of Salina, explained his customer base as being working persons who are usually cautious in their spending habits but run short due to emergencies before payday (Attachment 4). Many of these people do not have the credit to purchase overdraft protection from the bank and it is much cheaper to borrow from payday loan companies than to have an overdraft. Service fees may seem high but that is due to the company having to absorb any bad debt.

Danny Brewer, Junction City, reported having been in business for one year with a loss of 12%. There are eight payday loan stores in Junction City and one in Manhattan. His customer base is 60% civilian and 40% military with the average salary in Junction City being \$5.80 per hour. He expects his store to grow 8% this year. State of the economy appears to have little to no impact on this industry.

In response to questions from the Committee, the audience responded that most loan companies have a maximum loan policy of \$100; two make \$500 loans; and four make \$250 loans.

Pat Leonard, owner of four American Payday Loan stores, Paola, explained that customers must pay off one loan before getting a new loan (Attachment 5). Customers in this industry are not interested in the percentage of interest rate, just the amount of money they can have for what service rate i.e., \$100 for \$15 service fee, and another \$100 for only \$4. Bank fees are not the only reason customers are forced to use payday loans, many times they have no other place or person to turn for food, gasoline, utilities, and other necessities. Fifty percent of his clients are return customers. There is no variation in the rate charged by the loan companies, the maximum rate is set by the state.

A Junction City store owner added that occasionally he drops the fee rate for preferred customers. He also works with customers on financial planning. Sixty to seventy percent of his customers are women, and/or single mothers who are somewhat unfamiliar with financial planning and budgeting. Many are recent divorcees.

Jill Sterling E-Z Payday Loans of Topeka, also reported her customer base to be 50% repeats. She has recently opened another store in Roeland Park as the Topeka store has maxed out with 8,000 to 10,000 customers (Attachment 6).

Karla Mongan of Payday Plus in Coffeyville, spoke from her personal experience as a single mother and the necessity of using payday loans. She is now operating such a business. She related the friendships and trust which develops between the owner of the store and the customers. Her customer base is made up of firemen, city councilmen, and other working people who run short of cash by the end of the payday period. Mrs. Mongan reported that her bank refused to cash checks made out to her store by her customers.

Additional testimony was presented by Whitney Damron, Kansas Payday Loan Association (Attachment 7); and Dan Sims, All State Pawn & Jewelry (Attachment 8).

The Committee took no action on the bill. The meeting was adjourned at 9:55 a.m.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 3/22

NAME	REPRESENTING
Bob Turig	Consumer Credit
JoAnne Minichand	Consumer Credit
Darrin Anderson	Quick Cash
Gredy Hockersmith	Quick Cash
Bill Banker	Quick Cash
Joe Olson	Payless Payday Loan
Bill Stover	PAYLESS PAYDAY LOAN
Karla & Morgan	Payday Plus
Mike Morgan	Payday Plus
Don & Paul Bayen	Money To Go
Carolyn Wendholz	PayDay Loans
Wayne E. Wendholz	Pay Day Loans
Richard Carlson	MISTER MONEY USA of Topickat Manhattan
Alan Signes	ALL STATE PAWN & JEWELRY
Daniel Donahue	AARP
Steve RARRICK	ASTORNEY GENERAL
BOB GRANT	KCEJ
JERRY WALD	Payday Loans
Mike Joyner	Seneca Loan Co.

SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 3-22-99

NAME	REPRESENTING
Jill STERLING	E-Z PAY DAY LOANS (Finance ADVANCE)
Derek Bengtson	Easy Cash Loan Co. (Hutchinson)
Dean Robison	Easy Cash Loan Co. (Hutchinson)
Bob Sales	Always Pay Day, Wichita, KS
Charles H. Freeman	AARP - STATE HOUSE COM
Phil Endacott	AARP CCTF
Mark Laverett	AARP
Shirley Mason	AARP
Mike Sheehy	Federico Consulting
DANNY BROWER	FIRST CHECK COGNITIVE
Charles E. Ennis	E-Z Pay Day Loans, Finance Advance
PATRICK J LEONARD	AMERICAN PAYDAY LOANS
GEORGE STEPHANPOULOS	ABC News
David Miles	Associated Press
Mr. & Mrs. Marcia Allen	Guests
Phyllis Beauwala	guest
Matt Goddard	HCBA
Sonya Allen	OSPC
Kathy Olsen	KBA

Roger Franzke

KBA

JOHN C. BOTTENBERG

CHECK INTO CASH, INC

1998 Annual Report to the Congress

Bank Special Fees

<u>CMSA/State/ Size/Type</u>	<u>NSF Checks</u>	<u>Overdrafts</u>	<u>Stop Payment Orders</u>	<u>Deposit Items Returned</u>
New Jersey	\$26.17	\$25.55	\$17.54	\$7.21
Florida	\$25.71	\$25.35	\$23.77	\$5.15
Philadelphia	\$25.20	\$23.71	\$15.18	\$8.44
Virginia	\$22.26	\$22.70	\$18.41	\$8.89
Massachusetts	\$21.73	\$16.35	\$15.74	\$10.18
Georgia	\$21.70	\$19.26	\$19.80	\$4.01
Large Banks	\$21.29	\$20.04	\$18.92	\$6.51
Boston	\$21.11	\$17.12	\$17.19	\$7.56
Pennsylvania	\$21.11	\$21.78	\$14.04	\$6.16
Ohio	\$20.40	\$19.94	\$19.58	\$9.43
Multistate Banks	\$19.92	\$18.71	\$17.90	\$5.99
Chicago	\$19.89	\$19.80	\$18.97	\$10.52
New York City	\$19.56	\$18.05	\$16.48	\$9.49
Dallas	\$19.42	\$20.14	\$15.46	\$6.72
Medium Banks	\$19.26	\$18.14	\$16.49	\$5.54
Tennessee	\$18.50	\$16.55	\$17.29	N/A
Indiana	\$18.45	\$16.55	\$14.61	\$9.87
Texas	\$18.18	\$17.48	\$15.58	\$5.07
West Virginia	\$18.05	\$17.34	\$14.70	N/A
Kentucky	\$18.04	\$15.03	\$13.07	N/A
Alabama	\$17.69	\$17.64	\$13.77	\$2.31
Denver	\$17.14	\$15.03	\$17.33	\$2.30
Wisconsin	\$16.57	\$16.01	\$13.37	\$8.26
United States	\$16.55	\$15.73	\$13.97	\$5.15
Louisiana	\$16.40	\$16.84	\$12.65	\$2.63
Washington	\$16.24	\$15.64	\$13.36	\$2.66
Arkansas	\$16.05	\$14.18	\$15.09	\$2.98
Single-state Banks	\$15.99	\$15.25	\$13.32	\$4.96
Illinois	\$15.47	\$14.84	\$13.62	\$6.89
Colorado	\$15.45	\$14.21	\$14.51	\$4.22
San Francisco	\$15.30	\$15.31	\$11.26	\$7.66
Small Banks	\$15.10	\$14.45	\$12.62	\$4.74
New York	\$14.97	\$14.62	\$13.19	\$9.09
California	\$14.47	\$14.29	\$11.11	\$5.08
Minnesota	\$14.47	\$13.12	\$11.34	\$5.64
Mississippi	\$14.46	\$14.49	\$13.45	\$5.68
Oklahoma	\$14.32	\$14.36	\$13.17	\$3.94
Los Angeles	\$14.07	\$14.75	\$11.14	\$4.99
Montana	\$13.78	\$12.95	\$10.28	\$6.45
Missouri	\$13.76	\$14.03	\$11.75	\$2.84
Iowa	\$13.47	\$12.01	\$10.72	\$4.09
Kansas	\$13.11	\$12.50	\$11.43	\$5.52
Nebraska	\$10.25	\$9.41	\$8.96	\$3.80

Footnotes:

- 1) Consolidated Metropolitan Statistical Areas = CMSA
- 2) Bank Size in Assets is: Large \geq \$1 Billion;
Medium = \$100 Million to \$1 Billion; Small $<$ \$100 Million.
- 3) Type = Multistate Banks & Single-state Banks
- 4) N/A = Not available since data insufficient to report

*Source: Annual Report to the Congress
on Retail Fees and Services of
Depository Institutions*

Senate Financial Institutions & Insurance

Date 3/22/99

Attachment # /

KBA
1998 Service Charge Survey

Insufficient Fund Checks

\$5 & Under	9
\$5.01 - \$10	88
\$10.01 - \$15	91
over \$15	40

Overdraft charge per Check

\$5 & Under	10
\$5.01 - \$10	87
\$10.01 - \$15	81
over \$15	37

taken from the 1998 KBA Comparative Data Report



KANSAS

OFFICE OF CONSUMER CREDIT COMMISSIONER

Bill Graves
Governor

David R. Brant
Acting
Commissioner

Substitute for Senate Bill No. 301

Amendments as of 3/22/99:

Page 2 line 26 strike "(a)"
 line 28 insert "(a)" after "which"

Page 8 line 28 insert "then" after "and"

Page 10 line 11 strike "f"

Page 17 line 32 add the following sentence after " period."

For purposes of subsection (b), a creditor may assume that a month has 30 days, regardless of the actual number of days in the month.

Page 21 line 24 stike "(10)"; insert "(11)"

Page 28 line 3 amend subsection (2) to include a 36% usury cap on closed end consumer loans of \$860 or less

Page 29 line 33 insert/add "governed by K.S.A. 16a-2-404, and Amendments thereto" after payday loan

Page 32 line 42 delete "under subsection (2)"

New Section amend K.S.A. 16a-2-404 (Payday Loans) as attached

Senate Financial Institutions & Insurance

Date 3/22

DRAFT**MARKED TO SHOW CHANGES**
(Existing vs. Proposed)

C 1

16a-2-404. Payday loans; finance charges.

(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 the maximum amount of the first tier used in the blended alternative rate in paragraph (a) of subsection (2) of K.S.A. 16a-2-401 § 860. ~~as such amount may be adjusted from time to time pursuant to [K.S.A. 16a-2-405, and amendments thereto, and adjusted in K.S.A. 16a-2-401a, and amendments thereto.]~~

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 may be added;

(ii) on amounts in excess of \$50, but not more than \$100, a charge may be added equal to 10% 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% of the loan proceeds with a minimum of \$10 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% of the loan proceeds with a minimum of \$17.50 plus a \$5 administrative fee.

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

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

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

DRAFT

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

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

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

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

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

14 This act shall be liberally construed. The purpose of the act is to protect
15 consumers who enter into short-term, high rate loans from abuses that
16 occur in the credit marketplace when such lenders are unregulated.

Page 1 Section 1 Lines 14-16

Payday loan companies are very strictly regulated at this time by
the Consumer Credit Commission.

2 (b) Each license issued under this act shall expire on June 30. No
3 license shall be renewed if the licensee has violated this act.

Page 3, Lines 2-3

Our license now runs on a calendar year. Our yearly reports are
run on the calendar year as well. This is a simple system and
does not need changed. To change the expiration date to June
30th would create a bookkeeping nightmare.

Senate Financial Institutions & Insurance

Date 3/22/99

Attachment # 3

7 (d) Each licensee must post a bond in the amount of \$50,000 for each
place of business. Such bond must continue in effect for five years after
10 the licensee ceases to operate in this state. Such bond must be available
11 to pay damages and penalties to consumers harmed by any violation of
this act.

Page 3, Lines 7-11

To ask for a \$50,000.00 bond on a maximum loan of \$300.00 seems
to me to be overkill.

18 Sec. 7. (a) Each deferred deposit loan must have a minimum term
19 of no less than two weeks for each \$50 owed on the loan.
20 (b) A consumer shall be permitted to make partial payments at any
21 time in amounts equal to no less than \$5 increments on the loan without
22 any additional charge.

Page 5, Lines 18-22

According to the way Bill 272 is written a \$300.00 loan would
allow a customer to have a three month loan. We are only allowed
to issue a 30 day loan. If the consumer paid their \$5.00
increments on this loan per week, it would take 15 months to pay
it back.

32 (g) Upon receipt of the check from the consumer for a deferred de-
33 posit loan, the licensee immediately shall stamp the back of the check
34 with an endorsement which states: "This check is being negotiated as part
35 of a deferred deposit loan pursuant to clude the code citation to this
36 act] and any holder of this check takes it subject to all claims and defenses
37 of the maker."

Page 5, Line 32-37

This would be a stigma for the customer plus there is not enough
room on the back of the check.

5 Sec. 8. (a) Before entering into a deferred deposit loan, the licensee
6 shall deliver to the consumer a pamphlet prepared by or at the direction
7 of the commissioner which explains, in simple English and Spanish, all of
8 the consumer's rights and responsibilities in a deferred deposit loan trans-
9 action, includes a toll free number to the commissioner's office to handle
10 concerns or complaints by consumers, and informs consumers that the
11 commissioner's office can provide information about whether a lender is
12 licensed, whether complaints have been filed with the commissioner, and
13 the resolution of such complaints.

Page 6, Lines 5-13

To prepare this pamphlet would be another unnecessary cost. Our
license is displayed as required. Most of this information is
already on the loan agreement.

14 (b) Licensees shall provide each consumer with a written agreement
15 on a form specified or approved by the commissioner which can be kept
16 by the consumer, and must include the following information in English
17 and in the language in which the loan was negotiated:
18 (1) The name, address, phone number of the licensee making the
19 deferred deposit loan, and the name and title of the individual employee
20 who signs the agreement on behalf of the licensee;
21 (2) an itemization of the fees and interest charges to be paid by the
22 consumer;
23 (3) each disclosure required by the federal truth in lending act, re-
24 gardless of whether the truth in lending act applies to the particular de-
25 ferred deposit loan;
26 (4) each disclosure required under any other state law;
27 (5) a clear description of the consumer's payment obligation under
28 the loan;

Page 6, Lines 14-28

Already covered in our present loan forms.

29 (6) a statement that "you cannot be prosecuted in criminal court to
30 collect this loan," which shall appear in a manner which is more conspic-
31 uous than the other information contained in the loan document and is
32 in at least 14 point bold typeface, and shall be located immediately pre-
33 ceding the signature of the consumer.
34 (c) The following notice shall be conspicuously posted by each li-
35 censee in each business location providing deferred deposit loans in at
36 least 14 point bold typeface in English, Spanish, as well as any other
37 language in which a significant amount of deferred deposit loan business
38 is conducted:
39 (1) That informs consumers that the licensee cannot use the criminal
40 process against a consumer to collect any deferred deposit loan; and
41 (2) the schedule of all interest and fees to be charged on such loans
42 with an example of the amounts that would be charged on a \$300 loan
43 payable in 14 days and 30 days, giving the corresponding annual per-

Page 6, Lines 29-43

Makes collection of a bad loan even more difficult.

2 (d) Each financial institution which is exempt from the fee limitations
3 of section 9 because of the application of other state or federal laws,
4 making deferred deposit loans which charge fees, interest and charges
5 greater than that authorized in section 9 of this act, must post the follow-
6 ing notice: "WARNING: The fees and interest charged on deferred de-
7 posit loans made at this institution are higher than those charged at other
8 financial institutions." A single instance of charging a consumer more than
9 the fees, interest and other charges permitted in section 9 requires the
10 financial institution to post this notice. Such notice shall be printed in not
11 less than 16 point bold typeface and shall be posted in conspicuous lo-
12 cations in the place where deferred deposit loans are made.

Page 7, Lines 2-12

These people know the rate of interest. It is on the loan
agreement. To put another sign up would be silly.

16 (a) A licensee shall be permitted to charge not more than a five dollar
17 service fee for each deferred deposit loan entered into with a consumer.

18 (b) In addition to the service fee, the licensee shall be permitted to
19 charge interest on the amount of cash delivered to the consumer in a
20 deferred deposit loan in an equivalent no greater than 36% per annum
21 (defined as a 365 day year). The rate charged on the outstanding balance
22 after maturity shall not be greater than the rate charged during the loan
23 term. Charges on loans shall be computed and paid only as a percentage
24 of the unpaid principal balance or portion thereof. Principal balance
25 means the balance due and owing exclusive of any interest, service or
26 other loan-related charges.

27 (c) If there are insufficient funds to pay a check on the date of pre-
28 sentment, a licensee may charge a fee, not to exceed the lesser of \$15 or
29 the fee imposed upon the licensee by the financial institution. Only one
30 such fee may be collected with respect to a particular check even if it has
31 been redeposited and returned more than once. A fee charged pursuant
32 to this subsection shall be the licensee's exclusive charge for late payment.

33 (d) When a loan is repaid before its due date, unearned interest
34 charges shall be rebated to the consumer based on a method at least as
35 favorable to the consumer as the actuarial method.

Page 7, Lines 16-35

This cuts our income by over 50%.

9 (f) entering into a deferred deposit loan with a consumer which is
10 unconscionable. In determining whether a deferred deposit loan trans-
11 action is unconscionable, consideration shall be given to, but is not limited
12 to, whether the amount of the loan exceeds 25% of the consumer's net
13 income for the term of the loan;

24 (k) making a deferred deposit loan, which when combined with an-
25 other outstanding deferred deposit loan owed to another licensee, ex-
26 ceeds a total of \$300 when combining the face amount of the checks
27 written in connection with each loan. The licensee shall make inquiry of
28 the consumer or utilize available information bases to determine whether
29 such loans are outstanding. In no event, shall a licensee make a loan to a
30 consumer if such consumer has two or more such loans made by other
31 licensees outstanding, regardless of the total value of the loans;

Page 8, Lines 9-13, 24-31

Both these sections would encourage the consumer to lie in order
to obtain a loan.

34 the same consumer. Upon termination of a deferred deposit loan through
35 the payment of the consumer's check by drawee bank, the return of a
36 check to a consumer who redeems it for consideration, or any other
37 method of termination, the licensee shall not enter into another deferred
38 deposit loan with the same consumer for at least 30 days thereafter. A
39 licensee may extend the term of the loan beyond the due date without
40 charge;

Page 8, Lines 34-40

This hinders the consumers right to borrow, when needed (This is
like telling the consumer they can not eat chicken 2 days in a
row.

36 Sec. 10. No applicant for license or licensee making deferred deposit
37 loans shall commit or cause to be committed any of the following prohib-
38 ited acts: (

42 (n) charging any interest, fees or charges other than those specifically
43 authorized by this act, including but not limited to

(2) attorneys fees or other collection costs.

Page 7-9 Sec. 10 (N-2)

This will make collections of bad loans virtually impossible.

You have to remember we are only talking about a \$15.00 profit
now, or half of that if you pass this bill.

If you want to close over 80 businesses in Kansas and
deprive citizens of Kansas the opportunity to avert financial
crises then you should vote for bill 272. If not, then the only
choice is to vote against bill 272 NOW.

LOAN AGREEMENT

No. _____

VOID

CREDITOR: Easy Cash Loan Co.
1329 E. 4th Avenue
Hutchinson, KS 67501
(316) 662-1660

BORROWER: _____

DISCLOSURE REQUIRED BY FEDERAL LAW

<p>Amount Financed The amount of credit provided me to or on my behalf</p>	<p>FINANCE CHARGE The dollar amount the credit will cost me</p>	<p>Total of Payments The amount I will have paid after I have made all payments as scheduled</p>	<p>ANNUAL PERCENTAGE RATE The cost of my credit as a yearly rate %</p>
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My payment schedule will be:

Number of Payments	Amount of Payment	When Payment is Due	Loan Begins
ONE (1)			

For value received, I promise to pay the creditor named above when due the amount indicated in "Total of Payments" box above.
In consideration of this loan:

I agree any check that is returned insufficient will be assessed a service charge of \$30.00 as authorized by the Kansas Uniform Consumer Credit Code. (UCCC). Section K.S.A. 16a-2-501, Subsection (1), Paragraph (e).

I agree if this loan is not paid in full on or before its maturity date, 3% per month will be charged on the remaining unpaid balances until paid in full. I agree the finance indicated above is earned by the Creditor at the inception of the loan and is nonrefundable.

NOTE TO CONSUMER: 1. Do not sign this agreement before you read it. 2 You are entitled to a copy of this agreement. 3. You may prepay the unpaid balance at any time without penalty.

Signature of Borrower

Date

3-8

PAID:

DUE:



Payless Payday Loans

908 E. Crawford Salina, Ks 67401
(785)-825-9956 Fax:(785)-825-8027



Sunday, March 21, 1999

Re: senate bill 272

Senators,

I am here today to express my concerns with bill 272. This bill will not only hurt the Deferred Deposit Loan Industry in Kansas, but it will also hurt the consumer and the Kansas economy as well.

This bill makes running a Payday Loan business impossible or at the least very undesirable. Most if not all of these companies will close up if this bill goes into effect. If you have been in a situation where you needed money until next payday I'm sure you will agree this will be devastating to the consumer. If you had no credit, no cash, no food for you or your baby and payday is 2 weeks away. **What are you going to do?** This is the consumer that we care about. This is the consumer that we help. Unexpected bills can arise regardless of your situation, and when your poor this could mean your whole world crashing down on you. This bill was originally authored to protect these people, However all it will do is cause hardship on them.

As we all know, *some* consumer's abuse these loans and will get in a cycle of repeating the loan. I would like you to consider the fact that we only loan to adults. Many of my customers get a loan on an as needed basis and use the system wisely and responsibly, but when they need it they really need it. For almost all of them it is their only source of credit. Some consumers borrow the money to buy something they want who are we to tell them they can't. The Bill means well I know but where will it stop? What would be next intercepting their paychecks and dispersing it according to what the state sees fit for them to spend it on ?

My customers are thankful of the way it presently works. We are currently regulated perfectly in my opinion. The rates currently in use is a small price to pay when they need quick cash until next payday, it's small enough to be affordable and large enough to keep us there for next time they need it.

The Payday loan industry employs many Kansas residents who could end up on the unemployment line if this bill goes any farther when combined with the number of consumers spending less the numbers will add up enough to be significantly a noticeable mistake. The state of Kansas is already regulated more and has cheaper rates than many other states. It's a good system. I think I speak for payday loan company owner's everywhere when I say "why tamper with success". I was told by the state of Minnesota (there system is very similar to ours) that they modeled theirs after ours and that's not the only state. I can't stress it enough IT'S A GOOD SYSTEM.

Senate Financial Institutions & Insurance

Date 3/22

Attachment # 4



Payless Payday Loans

908 E. Crawford Salina, Ks 67401
(785)-825-9956 Fax:(785)-825-8027



It could cost as much as \$25.00 for someone to send a person \$100.00 via Western Union. If they pawned an item at a pawn shop they could possibly lose a personal asset for pennies on the dollar.

The Payday Loan Industry has received a lot of bad publicity. What the media or other informational sources might not have showed was how much bad debt had to be absorbed by the Payday Loan Company Owner, or how a consumer will borrow the money to pay their bankruptcy lawyer to go bankrupt on the very place they borrowed from just 20 minutes before. These are a few facts out of many that I urge you to consider and investigate before giving this bill anymore of your or my valuable time.

Thank you for your time,

A handwritten signature in cursive that reads "Joe Olson".

Joe Olson
Payless Payday Loans

AMERICAN PAYDAY LOANS
601 N. WEST STREET
WICHITA, KS. 67801
(316) 945-7788

TO THE SENATE COMMITTEE:

I, PATRICK J. LEONARD, OF AMERICAN PAYDAY LOANS, DO HEREBY
OPPOSE SB 272.

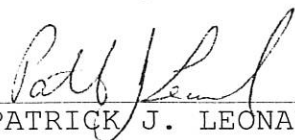
THIS BILL WILL FORCE US OUT OF BUSINESS. IT WILL ALSO PUT
EIGHTEEN EMPLOYEES OUT OF WORK. (SOME HAVE WORKED FOR US FOR THREE
TO FOUR YEARS) IT WILL ALSO CAUSE OVER THREE THOUSAND CUSTOMERS TO
RETURN TO FLOATING PERSONAL CHECKS. THIS HAS THE POTENTIAL OF COST
-ING THE CONSUMER MORE THAN THREE TIMES THE FEES THAT WE CHARGE,
IF THEIR CHECK BOUNCES.

I UNDERSTAND THE APR IS HIGH, BUT KEEP IN MIND THAT THE
FIRST WORD IN APR IS "ANNUAL". WE OFFER SMALL LOANS (\$30 TO \$250)
THAT TYPICALLY AVERAGE 19 TO 20 DAYS. WE DON'T MAKE ANNUAL LOANS
NOR DO WE SET UP INSTALLMENT PLANS.

ALSO, I WOULD LIKE TO ADD TO THE SPOKEPERSONS COMMENT FROM
THE ATTORNEY GENERALS OFFICE ABOUT OUR CAUSING THE CONSUMER TO GO
BANKRUPT. THE MOST WE LOAN IS \$250. HARDLY ENOUGH TO FILE FOR
BANKRUPTCY. AND IF A CONSUMER HITS EVERY LENDER IN TOWN, THIS IS
THE SAME AS IF YOU OR I CHARGED ALL OF OUR CREDIT CARDS TO THE
MAXIMUM. THAT WOULD MAKE US AT FAULT INDIVIDUALLY. NOT THE CREDIT
CARD VENDORS.

THANK YOU FOR YOUR TIME IN READING THIS.

SINCERELY,



PATRICK J. LEONARD

E-Z Payday Loans
400 SW 29th, Suite X
Topeka, KS, 66611
913-266-3777

Mr. Chairman,

My Name is Jill Sterling. I live in Lawrence, KS. I have operated E-Z Payday Loans in Topeka, KS for more than two years and have recently opened a store in Roeland Park, KS.

In Brief, My statements do not differ from when I last testified before the Senate subcommittee several weeks ago.

A Payday Advance is a responsible, dignified choice for short-term cash needs.

- Lets customers avoid bounced checks and financial charges.
- Only source of short-term cash available to many customers.
- A dignified alternative to pawn shops, borrowing from family and friends, or financial crisis.

We only provide payday advances to customers with steady income sources and a personal checking account.

- The mean income of my customers is \$25,000/year.
- The state of Kansas prohibits customers from renewing transactions. They must repay their loans in full before receiving a new loan.
- All customers are required to sign a disclosure indicating they understand the costs and terms of the transaction.

As written, SB 272 would de facto outlaw payday lenders in the state of Kansas

- Proposed legislation would not allow payday lenders to remain profitable.
- CFA documentation, as obtained by the Attorney General's Office, does not make any allowance for profitability in those states that abide by their proposals.

SB 272 would put law abiding businesses out of business while not addressing the legitimate needs of many consumers in the state of Kansas.

Vote No SB 272

Senate Financial Institutions & Insurance

Date 3/22/99

Attachment #6

SUBMITTED TESTIMONY

**TO: The Honorable Don Steffes
And Members Of The
Senate Committee on Financial Institutions and Insurance**

**FROM: Whitney Damron
On Behalf Of The
Kansas Payday Loan Association**

RE: SB 272 – Deferred Deposit/Payday Loans

DATE: March 22, 1999

When SB 301 and SB 272 were introduced earlier in the 1999 session, several business men and women who own and operate payday loan businesses in Kansas came together to form the Kansas Payday Loan Association. Since that time, many other operators of payday loan businesses in the state have expressed an interest in joining this association in efforts to provide a singular voice to the Kansas Legislature and others affected by the payday loan business in our state. There are currently 82 licensed payday loan businesses operating in Kansas.

We have seen several newspaper articles regarding the payday loan issue in recent months, one which ran in the Topeka paper over this past weekend. The following points could be drawn or were omitted from those articles:

- Most of these articles have focused on payday loan operations outside of the state of Kansas and were written by national press correspondents.

- Regulators charged with enforcing and administering laws in Kansas have provided little, if any history of complaints against this industry during the relative few years the payday loan industry has been in existence.
- Kansas currently regulates payday loan business transactions; no further regulation is necessary.

In summary, we believe current restrictions on payday loans made in Kansas are quite adequate to protect the consumer. Criticisms made regarding such financial transactions by national associations and others are short sided, as are their "solutions". For a mother with financial difficulties and in need of a prescription for a child, suggestions such as "do not write bad checks, budget carefully and keep money in your savings account" are of no use or consequence.

In a final note, I would like to point out that I attempted to ascertain exactly who the Consumer Federation of America (CFA) was and I had little success. The CFA is a primary sponsor of this kind of legislation across the country and has been mentioned in regards to SB 272. Perhaps other conferees today can tell the Committee exactly who the members of the CFA are, but my telephone inquiry asking about the members of the CFA was met with a less than cooperative response. Although I was informed that the CFA was comprised of "over 240 members, including not-for-profit organizations", I was told there was no master listing of members available nor did the person on the telephone know of any members by name. We would respectfully suggest that the Kansas Legislature and the Security Commissioner of our state are better able to make recommendations for the regulation of financial transactions in our Kansas than Washington, D.C.-based associations of unknown or questionable membership and motivations.

The Kansas Payday Loan Association urges this Committee to maintain current law regarding the payday loan industry in our state and reject SB 272. Thank you.

ALL STATE PAWN & JEWELRY

1901 NW TOPEKA BOULEVARD
TOPEKA, KANSAS 66608

Phone 785-235-3252
Fax 785-235-1688

March 09, 1999

SENATE FI&I COMMITTEE MEMBERS

Dear Committee Members:

Please find attached copies of the current laws & Kansas Statutes covered by the consumer credit code. I have also supplied a copy of the short term consumer loan transaction rate table covering a 30 day loan on amounts 25.00 to 250.00, along with a loan agreement both of which are supplied by the Consumer Credit Commissioners office.

I wish to personally thank you for reviewing our current laws and taking them into consideration before you should decide to vote yes on bill 272.

I wish to comment on a few points that I find to be difficult to work with, and still remain in business.

Page 1 line 14 thru line 16. This implies that we "pay day loan" operators are not regulated. We are in fact regulated. See attached.

Page 3 line 7 thru line 21.. A license being required for each location is not reasonable.

Page 5 line 20 thru 28.. allowing consumers to make partial payments at anytime with amounts being as small as 5.00, & having to supply a signed dated receipt showing the amount paid & the current balance due. This requires too much time invested for such a small amount of return. I can't find employees that will work for the salaries we would have to pay to be able to process this much paper work.

Line 32 thru 37. This would require a very large stamp. I am not sure a person could have one made, that you could read, that would be small enough for the check.

Page 7 line 16 thru 26 As I stated on 3-9-99 this does not allow enough profit to operate with such a small amount of dollar income, with such a large difficult to collect loss. We are loaning to persons with little or no assets.

When a person uses a credit card for a cash advance you are usually charged up to 10% of the advanced amount which is 120% apr plus 18% apr & most of these people have assets that the credit card people can go after. They also allow multiple advances with a very liberal ceiling.

Pay day loans must be paid off with cash before another loan can be made. This takes place each & every time with every customer.

A 100.00 loan @ 36% Apr & a 5.00 service chg. on a 14 day loan would generate interest income of 1.40 plus the 5.00 for gross income of \$6.40 That's simply not enough to survive on.

Sincerely



Senate Financial Institutions & Insurance

Date 3/22

Attachment # 8

Phone 785-235-3232
Fax 785-235-1688

March 12, 1999

**PAYDAY LOAN CUSTOMERS
1901 NW TOPEKA , KS.**

SENATE BILL #272

Senate bill is a bill currently introduced , that if passed will make several changes to the structure of the laws that govern the pay day loan operators.
If this bill passes it will probably cause most or all payday loan operators to close, and no longer offer payday loans.

I am requesting your input, and feelings regarding this type of loan.

1. Are Pay day loans helpful to you? _____

comments yes

2. What will you do IF Pay Day Loans are no longer available? Will have
to wait till get paid

When needed , will you be able to obtain money else where or in another manner?

no

Will you have a cost involved? no **If you will how much will it be?** _____

Do you feel that the current charge of 15.00 on a 100.00 loan for two weeks is excessive? no

Comments _____

Your

Name Doug Cherry **Address** 311 NW Laurent

Date 3-12-99 **Signature** Doug Cherry

Phone 785-235-3252
Fax 785-235-1688

March 12, 1999

**PAYDAY LOAN CUSTOMERS
1901 NW TOPEKA, KS.**

SENATE BILL #272

Senate bill is a bill currently introduced, that if passed will make several changes to the structure of the laws that govern the pay day loan operators. If this bill passes it will probably cause most or all payday loan operators to close, and no longer offer payday loans.

I am requesting your input, and feelings regarding this type of loan.

1. Are Pay day loans helpful to you? yes
comments I need payday loans to help me sometimes due to a divorce. I'm currently working to pay off debts left to me and find this helpful

2. What will you do IF Pay Day Loans are no longer available?
Starve!

When needed, will you be able to obtain money else where or in another manner?
NO Have no family or friends who can help me

Will you have a cost involved? _____ If you will how much will it be? _____

Do you feel that the current charge of 15.00 on a 100.00 loan for two weeks is excessive? NO
Comments Because when you need the money you need it!

Your
Name Marshelia Tindell Address 1529 S.W POIK Apt 202
Date 3-13-99 Signature Marshelia Tindell



KANSAS

OFFICE OF CONSUMER CREDIT COMMISSIONER

Bill Graves
Governor

Wm. F. Caton
Commissioner

MEMORANDUM

TO: All Payday Loan Licensees

FROM: Wm. F. Caton, Consumer Credit Commissioner

DATE: July 23, 1997

RE: K.S.A. 16a-2-404 (4)

In an attempt to ensure that loans are not repaid by proceeds of another loan made under K.S.A. 16a-2-404, this office has had the enforcement practice of requiring new loans to a customer be made no earlier than the next calendar day following the maturity date of an existing loan. It has come to our attention that this practice may not be realistic or reasonable. This office acknowledges that this has been inconvenient to some consumers when, in fact, they have paid off the maturing loan with cash and wished to borrow again.

The law states in K.S.A. 16a-2-404 (4), "Any loan made under this section shall not be repaid by proceeds of another loan made under this section by the same lender or related interest. The proceeds from any loan made under this section shall not be applied to any other loan from the same lender or related interest." When this law was passed in 1993, it was the intent of the Legislature to protect the consumers from the pitfalls of these types of credit arrangements and to prohibit lenders from manipulating loan maturity dates to increase the rate of return by renewing loans and charging the fees associated with the new loan.

I believe it is in the best interest of all parties involved to enforce this section of the statute on an "honor system" in which licensees will acknowledge in writing to this office that they have not and will not violate K.S.A. 16a-2-404 (4). Attached is a copy of the Kansas statute governing payday loans along with the confirmation I am asking you to sign and return to this office as soon as possible in the enclosed self-addressed envelope. This should be signed by a principal of the licensee rather than a bookkeeper or an employee. Total industry compliance is necessary to avoid the implementation of rules and regulations which would prohibit same day loans to borrowers paying off a maturing loan. This confirmation will give this office reasonable assurance that loans will not be renewed and we will assume new loans made on the same day are not a renewal of a maturing loan.

LOANS NOT TO EXCEED 30 DAYS

8-4

sent copies
5-13-98

CONFIRMATION

TO: Kansas Consumer Credit Commissioner

FROM: Name of Person: DANNY E SIMS

Company Name and Address: All State Pawn
1901 N.W. Topeka Avenue
Topeka, KS 66608

Supervised Loan License No. 3711

DATE: 5-8-98

1. I have read and am familiar with K.S.A. 16a-2-404.
2. I understand that K.S.A. 16a-2-404 (4) prohibits the renewal of maturing loans made under this section.
3. It is this licensee's policy that loans are not renewed or paid off with proceeds of a new loan made pursuant to K.S.A. 16a-2-404 under any circumstance and that loans unpaid after maturity shall accrue a finance charge of 3% per month.
4. Current and future employees will be instructed not to violate this section of Kansas law.
5. I understand that violations to this section will be dealt with according to the full extent of the law.

Danny E Sims
Principal of the Firm

State of KS
County of SHAWNEE

Subscribed and sworn to before me this 5th day of MAY, _____.

Notary Public State of Kansas
Travis D. Whitt
My Appt Exp 5-15-2001 (Notarial Seal)

Travis D. Whitt
Notary Public

My commission expires 5-15-2001.

by cash instead of credit card are not to be considered finance charges for purposes of state usury laws. This means that such discounts need not be figured into the calculations for purposes of determining whether a creditor exceeds the rate limits imposed by the U3C. CCPA § 167 requires that discounts be offered to all prospective buyers and that their availability be disclosed clearly and conspicuously; compliance with this rule exempts such discounts from the finance charge disclosure provisions of the CCPA.

16a-2-404. Payday loans; finance charges. (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 the maximum amount of the first tier used in the blended alternative rate in paragraph (a) of subsection (2) of K.S.A. 16a-2-401, and amendments thereto, and adjusted in K.S.A. 16a-2-401a, and amendments thereto, 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 may be added;

(ii) on amounts in excess of \$50, but not more than \$100, a charge may be added equal to 10% 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% of the loan proceeds with a minimum of \$10 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% of the loan proceeds with a minimum of \$17.50 plus a \$5 administrative fee.

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

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

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

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

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

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

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

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

History: L. 1993, ch. 75, § 1; April 8.

KANSAS COMMENT, 1996

1. This section, which is not part of the uniform act, was adopted in 1993 primarily in response to the development of so-called "payday loans." Payday loans are designed to tie the consumer over until his or her next payday. Thus, they normally are for a term of one or two weeks and are for small dollar amounts. These loans take many forms, with some involving the up-front exchange of the consumer's personal check (which may or may not be post-dated) for a discounted amount of cash and others involving the purchase of discount coupons for merchandise from a particular catalog. Payday loans meet a legitimate credit need for many consumers. At the same time, they are ripe for abuse. As a result, the administrator suggested legislation to fill the gaps in the U3C relating to such loans, and this section is the result.

2. Subsection (1) sets special high-limit rate ceilings for payday loans. Several requirements must be met to take advantage of the special rate ceilings. First, the creditor must be a licensed or supervised lender. Second, the loan must have a "short term"—less than 30 days. See subsection (2). Third, the parties must anticipate that the loan will be repaid in a single payment. What happens if the consumer is unable to make the payment and wants to work out a payment schedule? This issue is not addressed but, presumably, such a workout would be permissible so long as it was truly unanticipated when the loan was originated. Fourth, the cash advance cannot exceed the dollar amount of the first tier for blended rate supervised loans under K.S.A. 16a-2-401. That amount is subject to adjustment, see Kansas comment to K.S.A. 16a-2-401a and, as of July 1, 1996, is \$780. If all of these requirements are met, then the lender may charge the special rates authorized by this section.

3. Creditors should remember that their ability to impose the special rates authorized by this section does not exempt them from the other provisions of the U3C or the disclosure requirements of the CCPA. As a result, the special rates authorized by this section will need to be converted into rather high annual percentage rates for pre-transaction disclosure to the consumer.

4. Other than a return check charge for a personal check given by the consumer in exchange for cash, subsection (3) prohibits other charges of any type from being imposed in connection with a payday loan. This includes insurance charges, charges for cashing a check representing the loan proceeds and, presumably, collection and/or attorney fees now permitted by K.S.A. 16a-2-507.

5. Although not expressly stated, subsection (3) appears to permit the creditor to contract for interest if the loan is not repaid at maturity. This is the clear import of subsection (3), which limits the contract rate to 3% per month of the loan proceeds after the maturity date.

6. Subsection (4) prohibits "snowballing"--the practice of repaying one payday loan with the proceeds of another payday loan from the same lender or a related interest. See K.S.A. 16a-1-301(30).

Part 5

CONSUMER CREDIT TRANSACTIONS; OTHER CHARGES AND MODIFICATIONS

16a-2-501. (UCCC) Additional charges. (1) In addition to the finance charge permitted by the parts of this article on maximum finance charges for consumer credit sales and consumer loans (parts 2 and 4), a creditor may contract for and receive the following additional charges in connection with a consumer credit transaction:

- (a) Official fees and taxes;
- (b) charges for insurance as described in subsection (2);
- (c) annual fees, not to exceed \$50 annually, payable in advance or monthly fees, delinquency charges, insufficient check charges as provided in paragraph (e) of this subsection, over-limit fees and cash advance fees for the privilege of using an open end credit account;
- (d) charges for other benefits, including insurance, conferred on the consumer, if the benefits are of value to the consumer and if the charges are reasonable in relation to the benefits, are of a type which is not for credit, and are excluded as permissible additional charges from the finance charge by rules and regulations adopted by the administrator;
- (e) a service charge for an insufficient check as defined and authorized by this subsection:
 - (i) For the purposes of this subsection, "insufficient check" means any check, order or draft drawn on any bank, credit union, savings and loan association, or other financial institution for the payment of money and delivered in payment, in whole or in part, of preexisting indebtedness of the drawer or maker, which is refused

payment by the drawee because the drawer or maker does not have sufficient funds in or credits with the drawee to pay the amount of the check, order or draft upon presentation, provided that any check, order or draft which is postdated or delivered to a payee who has knowledge at the time of delivery that the drawer or maker did not have sufficient funds in or credits with the drawee to pay the amount of the check, draft or order upon presentation shall not be deemed an insufficient check.

(ii) "Written notice" shall be presumed to have been given a drawer or maker of an insufficient check when notice is sent by restricted mail as defined by K.S.A. 60-103, and amendments thereto, addressed to the person to be given notice of such person's address as it appears on the insufficient check or to such person's last known address.

(iii) When an insufficient check has been given to a payee, the payee may charge and collect a \$10 insufficient check service charge from the drawer or maker, subject to limitations contained in this subsection or, if a larger amount is posted conspicuously, the larger amount, if the payee has given the drawer or maker oral or written notice of demand that the amount of the insufficient check plus the insufficient check service charge be paid to the payee within 14 days from the giving of notice. In no event shall the amount of such insufficient check service charge exceed \$30.

(iv) If the drawer or maker of an insufficient check does not pay the amount of the insufficient check plus the insufficient check service charge provided for in subsection (iii) to the payee within 14 days from the giving of notice as provided in subsection (iii), the payee may add the insufficient check service charge to the outstanding balance of the preexisting indebtedness of the drawer or maker to draw interest at the contract rate applicable to the preexisting indebtedness.

(2) An additional charge may be made for insurance written in connection with the transaction, including vendor's single interest insurance with respect to which the insurer has no right of subrogation against the consumer but excluding other insurance protecting the creditor against the consumer's default or other credit loss:

(a) With respect to insurance against loss of or damage to property, or against liability, if the creditor furnishes a clear and specific statement in writing to the consumer

SHORT TERM CONSUMER LOAN TRANSACTIONS

30

30 DAY LOAN

AMOUNT FINANCED	FINANCE CHARGE	PAYMENT	APR %
25.00	5.50	30.50	267.67%
30.00	5.50	35.50	223.06%
35.00	5.50	40.50	191.19%
40.00	5.50	45.50	167.29%
45.00	5.50	50.50	148.70%
50.00	5.50	55.50	133.83%
55.00	10.50	65.50	232.27%
60.00	11.00	71.00	223.06%
65.00	11.50	76.50	215.26%
70.00	12.00	82.00	208.57%
75.00	12.50	87.50	202.78%
80.00	13.00	93.00	197.71%
85.00	13.50	98.50	193.24%
90.00	14.00	104.00	189.26%
95.00	14.50	109.50	185.70%
100.00	15.00	115.00	182.50%
105.00	15.00	120.00	173.81%
110.00	15.00	125.00	165.91%
115.00	15.00	130.00	158.70%
120.00	15.00	135.00	152.08%
125.00	15.00	140.00	146.00%
130.00	15.00	145.00	140.38%
135.00	15.00	150.00	135.19%
140.00	15.00	155.00	130.36%
145.00	15.15	160.15	127.12%
150.00	15.50	165.50	125.72%
155.00	15.85	170.85	124.41%
160.00	16.20	176.20	123.19%
165.00	16.55	181.55	122.04%
170.00	16.90	186.90	120.95%
175.00	17.25	192.25	119.93%
180.00	17.60	197.60	118.96%
185.00	17.95	202.95	118.05%
190.00	18.30	208.30	117.18%
195.00	18.65	213.65	116.36%
200.00	19.00	219.00	115.58%
205.00	19.35	224.35	114.84%
210.00	19.70	229.70	114.13%
215.00	20.05	235.05	113.46%
220.00	20.40	240.40	112.82%
225.00	20.75	245.75	112.20%
230.00	21.10	251.10	111.62%
235.00	21.45	256.45	111.05%
240.00	21.80	261.80	110.51%
245.00	22.15	267.15	110.00%
250.00	22.50	272.50	109.50%

8-8

Loan Agreement

No: _____

CREDITOR:

BORROWER:

DISCLOSURE REQUIRED BY FEDERAL LAW

Amount Financed The amount of credit provided to me or on my behalf	FINANCE CHARGE The dollar amount the credit will cost me	Total of Payments The amount I will have paid after I have made all payments as scheduled	ANNUAL PERCENTAGE RATE The cost of my credit as a yearly rate %
---	--	---	---

My payment schedule will be:

Number of Payments	Amount of Payment	When Payment is due	Loan Begins
ONE (1)			

For value received, I promise to pay the creditor named above when due the amount indicated in "Total of Payments" box above.

In consideration of this loan,

I agree any check that is returned insufficient will be assessed a service charge of \$ _____ as authorized by the Kansas Uniform Consumer Credit Code (UCCC), Section K.S.A. 16a-2-501, Subsection (1), Paragraph (e).

I agree if this loan is not paid in full on or before its maturity date, 3% per month will be charged on the remaining unpaid balances until paid in full.

I agree the finance charge indicated above is earned by the Creditor at the inception of the loan and is nonrefundable.

NOTICE TO CONSUMER: 1. Do not sign this agreement before you read it. 2. You are entitled to a copy of this agreement. 3. You may prepay the unpaid balance at any time without penalty.

DATE

SIGNATURE OF BORROWER