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135th General Assembly  
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Sub. H. B. No. 182

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**A BILL**

To amend sections 1321.632, 1321.68, and 1321.99 of  
the Revised Code regarding precomputed consumer  
installment loan acceleration and conversion,  
interest rates, refinance charges, and bona fide  
errors.

**BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:**

**Section 1.** That sections 1321.632, 1321.68, and 1321.99 of  
the Revised Code be amended to read as follows:

**Sec. 1321.632.** A licensee may engage in the business of  
making loans provided the licensee does not do any of the  
following:

(A) Assess an origination fee pursuant to section 1321.68  
of the Revised Code more than three times in any twelve-month  
period;

(B) Accept a dated instrument from the borrower as  
security for a loan;

(C) Hold an instrument for a period of time prior to



negotiation or deposit of the instrument; 17

(D) Pay to a borrower, credit to a borrower's account, or 18  
pay to another person on the borrower's behalf the amount of an 19  
instrument, less interest, fees, or any other charges permitted 20  
by section 1321.68 of the Revised Code; 21

(E) Refinance the loan during the first one hundred twenty 22  
days of the loan term; 23

(F) Except for the deferment charge permitted by section 24  
1321.68 of the Revised Code or in the case of a refinance, 25  
charge or collect any fee, charge, or remuneration of any sort 26  
for ~~renewing, amending,~~ or extending a loan beyond its original 27  
term. 28

**Sec. 1321.68.** (A) A licensee may contract for and receive 29  
interest, calculated according to the actuarial method, at a 30  
rate or rates not exceeding ~~twenty-five~~ thirty-six per cent per 31  
year on the unpaid principal balances of the loan. Loans may be 32  
interest-bearing or precomputed. 33

(B) For purposes of computation of time on interest- 34  
bearing and precomputed loans, including, but not limited to, 35  
the calculation of interest, a month is considered one-twelfth 36  
of a year, and a day is considered one three hundred sixty-fifth 37  
of a year when calculation is made for a fraction of a month. A 38  
year is as defined in section 1.44 of the Revised Code. A month 39  
is that period described in section 1.45 of the Revised Code. 40  
Alternatively, a licensee may consider a day as one three 41  
hundred sixtieth of a year and each month as having thirty days. 42

(C) With respect to interest-bearing loans: 43

(1) (a) Interest shall be computed on unpaid principal 44  
balances outstanding from time to time, for the time 45

outstanding. 46

(b) As an alternative to the method of computing interest 47  
set forth in division (C) (1) (a) of this section, a licensee may 48  
charge and collect interest for the first installment period 49  
based on elapsed time from the date of the loan to the first 50  
scheduled payment due date, and for each succeeding installment 51  
period from the scheduled payment due date to the next scheduled 52  
payment due date, regardless of the date or dates the payments 53  
are actually made. 54

(c) Whether a licensee computes interest pursuant to 55  
division (C) (1) (a) or (b) of this section, each payment ~~shall~~ 56  
may be applied first to unpaid charges, then to interest, and 57  
the remainder to the unpaid principal balance. However, if the 58  
amount of the payment is insufficient to pay the accumulated 59  
interest, the unpaid interest continues to accumulate to be paid 60  
from the proceeds of subsequent payments and is not added to the 61  
principal balance. 62

(2) Interest shall not be compounded, collected, or paid 63  
in advance. However, both of the following apply: 64

(a) Interest may be charged to extend the first monthly 65  
installment period by not more than fifteen days, and the 66  
interest charged for the extension may be added to the principal 67  
amount of the loan. 68

(b) If part or all of the consideration for a new loan 69  
contract is the unpaid principal balance of a prior loan, the 70  
principal amount payable under the new loan contract may include 71  
any unpaid interest that has accrued. The resulting loan 72  
contract shall be deemed a new and separate loan transaction for 73  
purposes of this section. The unpaid principal balance of a 74

precomputed loan is the balance due after refund or credit of 75  
unearned interest as provided in division (D) (3) of this 76  
section. 77

(D) With respect to precomputed loans: 78

(1) Loans shall be repayable in monthly installments of 79  
principal and interest combined, except that: 80

(a) The first installment period may exceed one month by 81  
not more than fifteen days, and the first installment payment 82  
amount may be larger than the remaining payments by the amount 83  
of interest charged for the extra days. 84

(b) Monthly installment payment dates may be omitted to 85  
accommodate borrowers with seasonal income. 86

(2) Payments may be applied to the combined total of 87  
principal and precomputed interest until maturity of the loan. A 88  
licensee may charge interest after the original or deferred 89  
maturity of a precomputed loan at the rate specified in division 90  
(A) of this section on all unpaid principal balances for the 91  
time outstanding. 92

(3) When any loan contract is paid in full by cash, 93  
renewal, refinancing, or a new loan, one month or more before 94  
the final installment due date, the licensee shall refund, or 95  
credit the borrower with, the total of the applicable charges 96  
for all fully unexpired installment periods, as originally 97  
scheduled or as deferred, that follow the day of prepayment. If 98  
the prepayment is made other than on a scheduled installment due 99  
date, the nearest scheduled installment due date shall be used 100  
in such computation. If the prepayment occurs prior to the first 101  
installment due date, the licensee may retain one-thirtieth of 102  
the applicable charge for a first installment period of one 103

month for each day from date of loan to date of prepayment, and 104  
shall refund, or credit the borrower with, the balance of the 105  
total interest contracted for. If the maturity of the loan is 106  
accelerated for any reason and judgment is entered, the licensee 107  
shall credit the borrower with the same refund as if prepayment 108  
in full had been made on the date the judgment is entered and 109  
may thereafter convert the loan to an interest-bearing loan at 110  
the same rate or rates of interest as provided in the original 111  
loan contract. If the maturity of the loan is accelerated for 112  
any reason, but no judgment is entered, the licensee may convert 113  
the loan to an interest-bearing loan at the same rate or rates 114  
of interest as provided in the original loan contract, provided 115  
the licensee credits the borrower with the same refund on the 116  
precomputed loan as if prepayment in full had been made on the 117  
date of conversion. 118

(4) If the parties agree in writing, either in the loan 119  
contract or in a subsequent agreement, to a deferment of wholly 120  
unpaid installments, a licensee may grant a deferment and may 121  
collect a deferment charge as provided in this section. A 122  
deferment postpones the scheduled due date of the earliest 123  
unpaid installment and all subsequent installments as originally 124  
scheduled, or as previously deferred, for a period equal to the 125  
deferment period. The deferment period is that period during 126  
which no installment is scheduled to be paid by reason of the 127  
deferment. The deferment charge for a one-month period may not 128  
exceed the applicable charge for the installment period 129  
immediately following the due date of the last undeferred 130  
installment. A proportionate charge may be made for deferment 131  
for periods of more or less than one month. A deferment charge 132  
is earned pro rata during the deferment period and is fully 133  
earned on the last day of the deferment period. If a loan is 134

prepaid in full during a deferment period, the licensee shall 135  
make, or credit to the borrower, a refund of the unearned 136  
deferment charge in addition to any other refund or credit made 137  
for prepayment of the loan in full. 138

(E) A licensee, at the request of the borrower, may 139  
obtain, on one or more borrowers, credit life insurance, credit 140  
accident and health insurance, and unemployment insurance. The 141  
premium or identifiable charge for the insurance may be included 142  
in the principal amount of the loan and may not exceed the 143  
premium rate filed by the insurer with the superintendent of 144  
insurance and not disapproved by the superintendent. If a 145  
licensee obtains the insurance at the request of the borrower, 146  
the borrower shall have the right to cancel the insurance for a 147  
period of twenty-five days after the loan is made. If the 148  
borrower chooses to cancel the insurance, the borrower shall 149  
give the licensee written notice of this choice and shall return 150  
all of the policies or certificates of insurance or notices of 151  
proposed insurance to the licensee during such period, and the 152  
full premium or identifiable charge for the insurance shall be 153  
refunded to the borrower by the licensee. If the borrower 154  
requests, in the notice to cancel the insurance, that this 155  
refund be applied to reduce the balance of a precomputed loan, 156  
the licensee shall credit the amount of the refund plus the 157  
amount of interest applicable to the refund to the loan balance. 158  
If the licensee obtains the insurance at the request of the 159  
borrower, the licensee shall not charge or collect interest on 160  
any insured amount that remains unpaid after the insured 161  
borrower's date of death. 162

(F) A licensee may require the borrower to provide 163  
insurance or a loss payable endorsement covering reasonable 164  
risks of loss, damage, and destruction of property used as 165

security for the loan and with the consent of the borrower such 166  
insurance may cover property of the borrower other than that 167  
which is security for the loan. The amount and term of required 168  
property insurance shall be reasonable in relation to the amount 169  
and term of the loan contract and the type and value of the 170  
security, and the insurance shall be procured in accordance with 171  
the insurance laws of this state. The purchase of this insurance 172  
through the licensee or an agent or broker designated by the 173  
licensee shall not be a condition precedent to the granting of 174  
the loan. If the borrower purchases the insurance from or 175  
through the licensee or from another source, the premium may be 176  
included in the principal amount of the loan. 177

(G) (1) In addition to the interest and charges provided 178  
for by this section, no further or other amount, whether in the 179  
form of broker fees, placement fees, or any other fees 180  
whatsoever, shall be charged or received by the licensee, except 181  
that: 182

~~(a) (i) The licensee may charge and receive costs and 183  
disbursements in connection with any suit to collect a loan or 184  
any lawful activity to realize on a security interest after 185  
default, including reasonable attorney's fees incurred by the 186  
licensee as a result of the suit or activity and to which the 187  
licensee becomes entitled by law. 188~~

(ii) A licensee may contract for reasonable attorney's 189  
fees incurred as a result of a suit or lawful activity to 190  
collect a loan or any lawful activity to realize on a security 191  
interest after default. If attorney's fees are incurred in the 192  
action, the fees may be recovered from the borrower only if 193  
authorized by a court order. 194

(b) The licensee may include the following additional 195

charges in the principal amount of the loan or collect the	196
following additional charges at any time after the loan is made:	197
(i) The amounts of fees authorized by law to record, file,	198
or release security interests on a loan;	199
(ii) Fees received from borrowers to record, file, or	200
release a security interest on a loan for purposes either of	201
purchasing insurance to insure the licensee against losses for	202
failure to record or file or creating a self-insurance fund to	203
reimburse the licensee against losses for failure to record or	204
file;	205
(iii) Fees for credit investigations not exceeding twenty-	206
five dollars provided a licensee obtains a consumer report in	207
connection with an application for a grant, extension, or other	208
provision of credit to a consumer that is based in whole or in	209
part on the consumer report.	210
(2) Division (G)(1) of this section does not limit the	211
rights of licensees to engage in other transactions with	212
borrowers, provided the transactions are not a condition of the	213
loan. As used in this division, a transaction shall not be	214
considered a "condition of the loan" if it meets both of the	215
following conditions:	216
(a) It is not required for the extension of the credit.	217
(b) It is a charge that is not considered a "finance	218
charge" pursuant to 12 C.F.R. 1026.4.	219
(H) If the loan contract or security instrument contains	220
covenants by the borrower to perform certain duties pertaining	221
to insuring or preserving security and the licensee pursuant to	222
the loan contract or security instrument pays for performance of	223
the duties on behalf of the borrower, the licensee may add the	224



amounts paid to the unpaid principal balance of the loan or 225  
collect them separately. A charge for interest may be made for 226  
sums advanced not exceeding the rate of interest permitted by 227  
division (A) of this section. Within a reasonable time after 228  
advancing a sum, the licensee shall notify the borrower in 229  
writing of the amount advanced, any interest charged with 230  
respect to the amount advanced, and any revised payment 231  
schedule, and shall include a brief description of the reason 232  
for the advance. 233

(I) (1) In addition to any other permissible fees and 234  
charges, a licensee may charge and receive the following: 235

(a) If the principal amount of the loan is five hundred 236  
dollars or less, loan origination charges not exceeding fifteen 237  
dollars; 238

(b) If the principal amount of the loan is more than five 239  
hundred dollars but less than one thousand dollars, loan 240  
origination charges not exceeding thirty dollars; 241

(c) If the principal amount of the loan is at least one 242  
thousand dollars but less than two thousand dollars, loan 243  
origination charges not exceeding one hundred dollars; 244

(d) If the principal amount of the loan is at least two 245  
thousand dollars but less than five thousand dollars, loan 246  
origination charges not exceeding two hundred dollars; 247

(e) If the principal amount of the loan is at least five 248  
thousand dollars, loan origination charges not exceeding the 249  
greater of two hundred fifty dollars or one per cent of the 250  
principal amount of the loan. 251

(2) Loan origination charges may be paid by the borrower 252  
at the time of the loan or may be included in the principal 253

amount of the loan. 254

(J) A licensee may charge and receive ~~check collection~~ 255  
~~charges~~ returned payment fees not greater than twenty dollars 256  
plus any amount passed on from other depository institutions or 257  
payment processors for each check, negotiable order of 258  
withdrawal, share draft, ~~or~~ other negotiable instrument, 259  
electronic fund transfer, or electronic payment returned, 260  
unpaid, or dishonored for any reason. 261

(K) If the loan contract so provides, a licensee may 262  
collect a default charge on any installment not paid in full 263  
within ten days after its due date. For this purpose, all 264  
installments are considered paid in the order in which they 265  
become due. Any amounts applied to an outstanding loan balance 266  
as a result of voluntary release of a security interest, sale of 267  
security on the loan, or cancellation of insurance shall be 268  
considered payments on the loan, unless the parties otherwise 269  
agree in writing at the time the amounts are applied. A licensee 270  
shall not collect more than one default charge per unpaid 271  
installment regardless of the number of months the installment 272  
remains fully unpaid. The amount of the default charge shall not 273  
exceed the greater of five per cent of the scheduled installment 274  
or fifteen dollars. 275

**Sec. 1321.99.** (A) Whoever violates section 1321.02 of the 276  
Revised Code is guilty of a felony of the fifth degree. 277

(B) Whoever violates section 1321.13 of the Revised Code 278  
shall be fined not less than one hundred nor more than five 279  
hundred dollars or imprisoned not more than six months, or both. 280

(C) Whoever violates section 1321.14 of the Revised Code 281  
shall be fined not less than fifty nor more than two hundred 282

dollars for a first offense; for a second offense such person 283  
shall be fined not less than two hundred nor more than five 284  
hundred dollars and imprisoned for not more than six months. 285

(D) Whoever willfully violates section 1321.57, 1321.58, 286  
division (A), (B), or (C) of section 1321.59, 1321.591, or 287  
1321.60 of the Revised Code is guilty of a minor misdemeanor and 288  
shall be fined not less than one nor more than five hundred 289  
dollars. 290

(E) (1) Whoever violates section 1321.63 or division (H), 291  
(I), or (K) of section 1321.69 of the Revised Code is guilty of 292  
a felony of the fifth degree. 293

(2) A violation of section 1321.63 or division (K) of 294  
section 1321.69 of the Revised Code is a strict liability 295  
offense and section 2901.20 of the Revised Code does not apply. 296

(F) Whoever violates division (A) of section 1321.73 of 297  
the Revised Code shall be fined not more than five hundred 298  
dollars or imprisoned not more than six months, or both. 299

(G) Whoever violates section 1321.41 of the Revised Code 300  
is guilty of a misdemeanor of the first degree. 301

(H) Whoever violates section 1321.141 or 1321.592 of the 302  
Revised Code is guilty of a minor misdemeanor and shall be fined 303  
not less than one hundred nor more than five hundred dollars. 304

(I) The offenses established under sections 1321.141, 305  
1321.41, and 1321.592 of the Revised Code are strict liability 306  
offenses and section 2901.20 of the Revised Code does not apply. 307  
The designation of these offenses as strict liability offenses 308  
shall not be construed to imply that any other offense for which 309  
there is no specified degree of culpability, whether in this 310  
section or another section of the Revised Code, is not a strict 311

liability offense. 312

(J) The imposition of fines pursuant to this section does 313  
not preclude the imposition of any administrative fines or civil 314  
penalties authorized under section 1321.54 or any other section 315  
of the Revised Code. 316

(K) A lender that makes a bona fide error in connection 317  
with a loan made pursuant to this chapter, which error would 318  
otherwise constitute a violation of this chapter, shall not be 319  
considered to have violated this chapter if the lender notifies 320  
the superintendent of financial institutions within sixty days 321  
after discovery of the error and corrects the error within a 322  
reasonable time after discovery of the error. A lender is not 323  
required to notify the superintendent or to correct the error 324  
when discovery of the error occurs after the record retention 325  
period required by division (C) of section 1321.66 of the 326  
Revised Code. Any such correction shall include the following as 327  
applicable: 328

(1) Crediting a loan account with a remaining balance with 329  
the amount of overcharge plus applicable interest on the 330  
overcharge at the same rate charged to the balance of the 331  
underlying loan account as of the date of the overcharge, 332  
calculated from the date of the overcharge to the date of 333  
correction; 334

(2) For a loan account that is closed without a remaining 335  
balance, returning to the customer, by mailing a check to the 336  
consumer's last known address or some other method, the amount 337  
of any overcharge plus applicable interest on the overcharge at 338  
the same rate charged to the balance of the underlying loan 339  
account as of the date of the overcharge, calculated from the 340  
date of the overcharge to the date of correction. Overcharge 341

interest shall be calculated from the date of the overcharge to 342  
the earlier of the following: 343

(a) The date of correction; 344

(b) The date the account balance is reduced to zero. 345

**Section 2.** That existing sections 1321.632, 1321.68, and 346  
1321.99 of the Revised Code are hereby repealed. 347