

As Introduced

**134th General Assembly
Regular Session
2021-2022**

H. B. No. 520

**Representative Hillyer
Cosponsors: Representatives Seitz, Schmidt**

A BILL

To amend sections 1321.632, 1321.68, and 1321.99 1
and to enact section 1321.691 of the Revised 2
Code regarding precomputed consumer installment 3
loan acceleration and conversion, interest 4
rates, refinance charges, bona fide errors, and 5
remote work for consumer installment lender 6
employees. 7

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

Section 1. That sections 1321.632, 1321.68, and 1321.99 be 8
amended and section 1321.691 of the Revised Code be enacted to 9
read as follows: 10

Sec. 1321.632. A licensee may engage in the business of 11
making loans provided the licensee does not do any of the 12
following: 13

(A) Assess an origination fee pursuant to section 1321.68 14
of the Revised Code more than three times in any twelve-month 15
period; 16

(B) Accept a dated instrument from the borrower as 17
security for a loan; 18

(C) Hold an instrument for a period of time prior to 19
negotiation or deposit of the instrument; 20

(D) Pay to a borrower, credit to a borrower's account, or 21
pay to another person on the borrower's behalf the amount of an 22
instrument, less interest, fees, or any other charges permitted 23
by section 1321.68 of the Revised Code; 24

(E) Refinance the loan during the first one hundred twenty 25
days of the loan term; 26

(F) Except for the deferment charge permitted by section 27
1321.68 of the Revised Code or in the case of a refinance, 28
charge or collect any fee, charge, or remuneration of any sort 29
for ~~renewing, amending,~~ or extending a loan beyond its original 30
term. 31

Sec. 1321.68. (A) A licensee may contract for and receive 32
interest, calculated according to the actuarial method, at a 33
rate or rates not exceeding ~~twenty-five~~ thirty-six per cent per 34
year on the unpaid principal balances of the loan. Loans may be 35
interest-bearing or precomputed. 36

(B) For purposes of computation of time on interest- 37
bearing and precomputed loans, including, but not limited to, 38
the calculation of interest, a month is considered one-twelfth 39
of a year, and a day is considered one three hundred sixty-fifth 40
of a year when calculation is made for a fraction of a month. A 41
year is as defined in section 1.44 of the Revised Code. A month 42
is that period described in section 1.45 of the Revised Code. 43
Alternatively, a licensee may consider a day as one three 44
hundred sixtieth of a year and each month as having thirty days. 45

(C) With respect to interest-bearing loans: 46

(1) (a) Interest shall be computed on unpaid principal 47

balances outstanding from time to time, for the time 48
outstanding. 49

(b) As an alternative to the method of computing interest 50
set forth in division (C)(1)(a) of this section, a licensee may 51
charge and collect interest for the first installment period 52
based on elapsed time from the date of the loan to the first 53
scheduled payment due date, and for each succeeding installment 54
period from the scheduled payment due date to the next scheduled 55
payment due date, regardless of the date or dates the payments 56
are actually made. 57

(c) Whether a licensee computes interest pursuant to 58
division (C)(1)(a) or (b) of this section, each payment ~~shall~~ 59
may be applied first to unpaid charges, then to interest, and 60
the remainder to the unpaid principal balance. However, if the 61
amount of the payment is insufficient to pay the accumulated 62
interest, the unpaid interest continues to accumulate to be paid 63
from the proceeds of subsequent payments and is not added to the 64
principal balance. 65

(2) Interest shall not be compounded, collected, or paid 66
in advance. However, both of the following apply: 67

(a) Interest may be charged to extend the first monthly 68
installment period by not more than fifteen days, and the 69
interest charged for the extension may be added to the principal 70
amount of the loan. 71

(b) If part or all of the consideration for a new loan 72
contract is the unpaid principal balance of a prior loan, the 73
principal amount payable under the new loan contract may include 74
any unpaid interest that has accrued. The resulting loan 75
contract shall be deemed a new and separate loan transaction for 76

purposes of this section. The unpaid principal balance of a 77
precomputed loan is the balance due after refund or credit of 78
unearned interest as provided in division (D) (3) of this 79
section. 80

(D) With respect to precomputed loans: 81

(1) Loans shall be repayable in monthly installments of 82
principal and interest combined, except that: 83

(a) The first installment period may exceed one month by 84
not more than fifteen days, and the first installment payment 85
amount may be larger than the remaining payments by the amount 86
of interest charged for the extra days. 87

(b) Monthly installment payment dates may be omitted to 88
accommodate borrowers with seasonal income. 89

(2) Payments may be applied to the combined total of 90
principal and precomputed interest until maturity of the loan. A 91
licensee may charge interest after the original or deferred 92
maturity of a precomputed loan at the rate specified in division 93
(A) of this section on all unpaid principal balances for the 94
time outstanding. 95

(3) When any loan contract is paid in full by cash, 96
renewal, refinancing, or a new loan, one month or more before 97
the final installment due date, the licensee shall refund, or 98
credit the borrower with, the total of the applicable charges 99
for all fully unexpired installment periods, as originally 100
scheduled or as deferred, that follow the day of prepayment. If 101
the prepayment is made other than on a scheduled installment due 102
date, the nearest scheduled installment due date shall be used 103
in such computation. If the prepayment occurs prior to the first 104
installment due date, the licensee may retain one-thirtieth of 105

the applicable charge for a first installment period of one 106
month for each day from date of loan to date of prepayment, and 107
shall refund, or credit the borrower with, the balance of the 108
total interest contracted for. If the maturity of the loan is 109
accelerated for any reason and judgment is entered, the licensee 110
shall credit the borrower with the same refund as if prepayment 111
in full had been made on the date the judgment is entered and 112
may thereafter convert the loan to an interest-bearing loan at 113
the same rate or rates of interest as provided in the original 114
loan contract. If the maturity of the loan is accelerated for 115
any reason, but no judgment is entered, the licensee may convert 116
the loan to an interest-bearing loan at the same rate or rates 117
of interest as provided in the original loan contract, provided 118
the licensee credits the borrower with the same refund on the 119
precomputed loan as if prepayment in full had been made on the 120
date of conversion. 121

(4) If the parties agree in writing, either in the loan 122
contract or in a subsequent agreement, to a deferment of wholly 123
unpaid installments, a licensee may grant a deferment and may 124
collect a deferment charge as provided in this section. A 125
deferment postpones the scheduled due date of the earliest 126
unpaid installment and all subsequent installments as originally 127
scheduled, or as previously deferred, for a period equal to the 128
deferment period. The deferment period is that period during 129
which no installment is scheduled to be paid by reason of the 130
deferment. The deferment charge for a one-month period may not 131
exceed the applicable charge for the installment period 132
immediately following the due date of the last undeferred 133
installment. A proportionate charge may be made for deferment 134
for periods of more or less than one month. A deferment charge 135
is earned pro rata during the deferment period and is fully 136

earned on the last day of the deferment period. If a loan is 137
prepaid in full during a deferment period, the licensee shall 138
make, or credit to the borrower, a refund of the unearned 139
deferment charge in addition to any other refund or credit made 140
for prepayment of the loan in full. 141

(E) A licensee, at the request of the borrower, may 142
obtain, on one or more borrowers, credit life insurance, credit 143
accident and health insurance, and unemployment insurance. The 144
premium or identifiable charge for the insurance may be included 145
in the principal amount of the loan and may not exceed the 146
premium rate filed by the insurer with the superintendent of 147
insurance and not disapproved by the superintendent. If a 148
licensee obtains the insurance at the request of the borrower, 149
the borrower shall have the right to cancel the insurance for a 150
period of twenty-five days after the loan is made. If the 151
borrower chooses to cancel the insurance, the borrower shall 152
give the licensee written notice of this choice and shall return 153
all of the policies or certificates of insurance or notices of 154
proposed insurance to the licensee during such period, and the 155
full premium or identifiable charge for the insurance shall be 156
refunded to the borrower by the licensee. If the borrower 157
requests, in the notice to cancel the insurance, that this 158
refund be applied to reduce the balance of a precomputed loan, 159
the licensee shall credit the amount of the refund plus the 160
amount of interest applicable to the refund to the loan balance. 161
If the licensee obtains the insurance at the request of the 162
borrower, the licensee shall not charge or collect interest on 163
any insured amount that remains unpaid after the insured 164
borrower's date of death. 165

(F) A licensee may require the borrower to provide 166
insurance or a loss payable endorsement covering reasonable 167

risks of loss, damage, and destruction of property used as 168
security for the loan and with the consent of the borrower such 169
insurance may cover property of the borrower other than that 170
which is security for the loan. The amount and term of required 171
property insurance shall be reasonable in relation to the amount 172
and term of the loan contract and the type and value of the 173
security, and the insurance shall be procured in accordance with 174
the insurance laws of this state. The purchase of this insurance 175
through the licensee or an agent or broker designated by the 176
licensee shall not be a condition precedent to the granting of 177
the loan. If the borrower purchases the insurance from or 178
through the licensee or from another source, the premium may be 179
included in the principal amount of the loan. 180

(G) (1) In addition to the interest and charges provided 181
for by this section, no further or other amount, whether in the 182
form of broker fees, placement fees, or any other fees 183
whatsoever, shall be charged or received by the licensee, except 184
that: 185

(a) The licensee may charge and receive costs and 186
disbursements in connection with any suit to collect a loan or 187
any lawful activity to realize on a security interest after 188
default, including reasonable attorney's fees incurred by the 189
licensee as a result of the suit or activity ~~and to which the~~ 190
~~licensee becomes entitled by law.~~ 191

(b) The licensee may include the following additional 192
charges in the principal amount of the loan or collect the 193
following additional charges at any time after the loan is made: 194

(i) The amounts of fees authorized by law to record, file, 195
or release security interests on a loan; 196

(ii) Fees received from borrowers to record, file, or	197
release a security interest on a loan for purposes either of	198
purchasing insurance to insure the licensee against losses for	199
failure to record or file or creating a self-insurance fund to	200
reimburse the licensee against losses for failure to record or	201
file;	202
(iii) Fees for credit investigations not exceeding twenty-	203
five dollars provided a licensee obtains a consumer report in	204
connection with an application for a grant, extension, or other	205
provision of credit to a consumer that is based in whole or in	206
part on the consumer report.	207
(2) Division (G)(1) of this section does not limit the	208
rights of licensees to engage in other transactions with	209
borrowers, provided the transactions are not a condition of the	210
loan. As used in this division, a transaction shall not be	211
considered a "condition of the loan" if it meets both of the	212
following conditions:	213
(a) It is not required for the extension of the credit.	214
(b) It is a charge that is not considered a "finance	215
charge" pursuant to 12 C.F.R. 1026.4.	216
(H) If the loan contract or security instrument contains	217
covenants by the borrower to perform certain duties pertaining	218
to insuring or preserving security and the licensee pursuant to	219
the loan contract or security instrument pays for performance of	220
the duties on behalf of the borrower, the licensee may add the	221
amounts paid to the unpaid principal balance of the loan or	222
collect them separately. A charge for interest may be made for	223
sums advanced not exceeding the rate of interest permitted by	224
division (A) of this section. Within a reasonable time after	225

advancing a sum, the licensee shall notify the borrower in 226
writing of the amount advanced, any interest charged with 227
respect to the amount advanced, and any revised payment 228
schedule, and shall include a brief description of the reason 229
for the advance. 230

(I) (1) In addition to any other permissible fees and 231
charges, a licensee may charge and receive the following: 232

(a) If the principal amount of the loan is five hundred 233
dollars or less, loan origination charges not exceeding fifteen 234
dollars; 235

(b) If the principal amount of the loan is more than five 236
hundred dollars but less than one thousand dollars, loan 237
origination charges not exceeding thirty dollars; 238

(c) If the principal amount of the loan is at least one 239
thousand dollars but less than two thousand dollars, loan 240
origination charges not exceeding one hundred dollars; 241

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

(e) If the principal amount of the loan is at least five 245
thousand dollars, loan origination charges not exceeding the 246
greater of two hundred fifty dollars or one per cent of the 247
principal amount of the loan. 248

(2) Loan origination charges may be paid by the borrower 249
at the time of the loan or may be included in the principal 250
amount of the loan. 251

(J) A licensee may charge and receive ~~check collection~~ 252
~~charges~~ returned payment fees not greater than twenty dollars 253

plus any amount passed on from other depository institutions or 254
payment processors for each check, negotiable order of 255
withdrawal, share draft, ~~or~~ other negotiable instrument, 256
electronic fund transfer, or electronic payment returned, 257
unpaid, or dishonored for any reason. 258

(K) If the loan contract so provides, a licensee may 259
collect a default charge on any installment not paid in full 260
within ten days after its due date. For this purpose, all 261
installments are considered paid in the order in which they 262
become due. Any amounts applied to an outstanding loan balance 263
as a result of voluntary release of a security interest, sale of 264
security on the loan, or cancellation of insurance shall be 265
considered payments on the loan, unless the parties otherwise 266
agree in writing at the time the amounts are applied. A licensee 267
shall not collect more than one default charge per unpaid 268
installment regardless of the number of months the installment 269
remains fully unpaid. The amount of the default charge shall not 270
exceed the greater of five per cent of the scheduled installment 271
or fifteen dollars. 272

Sec. 1321.691. (A) As used in this section, "remote 273
location" means the home of an employee or other location 274
selected by the employee that is not the location in which the 275
employer conducts business. 276

(B) Notwithstanding any provision of the Revised Code to 277
the contrary, nothing in sections 1321.62 to 1321.702 of the 278
Revised Code shall be construed to interfere with the ability of 279
a licensee's employee to work from a remote location, provided 280
the licensee does all of the following: 281

(1) Ensures that no in-person customer interactions are 282
conducted at the remote location and does not designate the 283

<u>remote location to customers as a business location;</u>	284
<u>(2) Maintains appropriate safeguards for licensee and</u>	285
<u>consumer data, information, and records, including the use of</u>	286
<u>secure virtual private networks where appropriate;</u>	287
<u>(3) Employs appropriate risk-based monitoring and</u>	288
<u>oversight processes of work performed from a remote location and</u>	289
<u>maintains records of such work;</u>	290
<u>(4) Ensures consumer information and records are not</u>	291
<u>maintained at a remote location;</u>	292
<u>(5) Ensures consumer and licensee information and records</u>	293
<u>remain accessible and available for regulatory oversight and</u>	294
<u>exams;</u>	295
<u>(6) Provides appropriate employee training to keep all</u>	296
<u>conversations about, and with, consumers conducted from a remote</u>	297
<u>location confidential, as if conducted from a commercial</u>	298
<u>location, and to ensure remote employees work in an environment</u>	299
<u>conducive and appropriate to that confidentiality.</u>	300
Sec. 1321.99. (A) Whoever violates section 1321.02 of the	301
Revised Code is guilty of a felony of the fifth degree.	302
(B) Whoever violates section 1321.13 of the Revised Code	303
shall be fined not less than one hundred nor more than five	304
hundred dollars or imprisoned not more than six months, or both.	305
(C) Whoever violates section 1321.14 of the Revised Code	306
shall be fined not less than fifty nor more than two hundred	307
dollars for a first offense; for a second offense such person	308
shall be fined not less than two hundred nor more than five	309
hundred dollars and imprisoned for not more than six months.	310
(D) Whoever willfully violates section 1321.57, 1321.58,	311

division (A), (B), or (C) of section 1321.59, 1321.591, or 312
1321.60 of the Revised Code is guilty of a minor misdemeanor and 313
shall be fined not less than one nor more than five hundred 314
dollars. 315

(E) (1) Whoever violates section 1321.63 or division (H), 316
(I), or (K) of section 1321.69 of the Revised Code is guilty of 317
a felony of the fifth degree. 318

(2) A violation of section 1321.63 or division (K) of 319
section 1321.69 of the Revised Code is a strict liability 320
offense and section 2901.20 of the Revised Code does not apply. 321

(F) Whoever violates division (A) of section 1321.73 of 322
the Revised Code shall be fined not more than five hundred 323
dollars or imprisoned not more than six months, or both. 324

(G) Whoever violates section 1321.41 of the Revised Code 325
is guilty of a misdemeanor of the first degree. 326

(H) Whoever violates section 1321.141 or 1321.592 of the 327
Revised Code is guilty of a minor misdemeanor and shall be fined 328
not less than one hundred nor more than five hundred dollars. 329

(I) The offenses established under sections 1321.141, 330
1321.41, and 1321.592 of the Revised Code are strict liability 331
offenses and section 2901.20 of the Revised Code does not apply. 332
The designation of these offenses as strict liability offenses 333
shall not be construed to imply that any other offense for which 334
there is no specified degree of culpability, whether in this 335
section or another section of the Revised Code, is not a strict 336
liability offense. 337

(J) The imposition of fines pursuant to this section does 338
not preclude the imposition of any administrative fines or civil 339
penalties authorized under section 1321.54 or any other section 340

of the Revised Code. 341

(K) A lender that makes a bona fide error in connection 342
with a loan made pursuant to this chapter, which error would 343
otherwise constitute a violation of this chapter, shall not be 344
considered to have violated this chapter if the lender corrects 345
the error within a reasonable time after discovery of the error. 346
Any such correction shall include the following as applicable: 347

(1) Crediting a loan account that is open with the amount 348
of overcharge plus interest on the overcharge at the same rate 349
applicable to the underlying loan account, calculated from the 350
date of the overcharge to the date of correction; 351

(2) For a loan account that is closed, mailing a refund 352
check to the last known address of the customer in the amount of 353
any overcharge plus interest on the overcharge at the same rate 354
that was applicable to the underlying loan account, calculated 355
from the date of the overcharge to the date of correction. 356

Section 2. That existing sections 1321.632, 1321.68, and 357
1321.99 of the Revised Code are hereby repealed. 358