

2011 -- S 1076

LC02960

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

A N A C T

RELATING TO FINANCIAL INSTITUTIONS - LENDERS AND LOAN BROKERS

Introduced By: Senator Joshua Miller

Date Introduced: June 23, 2011

Referred To: Senate Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 19-14.1-10 of the General Laws in Chapter 19-14.1 entitled
2 "Lenders and Loan Brokers" is hereby amended to read as follows:

3 **19-14.1-10. Special exemptions.** -- (a) The licensing provisions of chapter 14 of this title
4 shall not apply to:

5 (1) Nonprofit charitable, educational, or religious corporations or associations;

6 (2) Any person who makes less than six (6) loans in this state in any consecutive twelve
7 (12) month period; there is no similar exemption from licensing for loan brokers for brokering
8 loans or acting as a loan broker;

9 (3) Any person acting as an agent for a licensee for the purpose of conducting closings at
10 a location other than that stipulated in the license;

11 (4) Regulated institutions and banks or credit unions organized under the laws of the
12 United States, or subject to written notice with a designated Rhode Island agent for service of
13 process in the form prescribed by the director or the director's designee, of any other state within
14 the United States if the laws of the other state in which such bank or credit union is organized
15 authorizes under conditions not substantially more restrictive than those imposed by the laws of
16 this state, as determined by the director or the director's designee, a financial institution or credit
17 union to engage in the business of originating or brokering loans in the other state; no bank or
18 credit union duly organized under the laws of any other state within the United States may receive
19 deposits, pay checks or lend money from any location within this state unless such bank or credit

1 union has received approval from the director or the director's designee for the establishment of
2 an interstate branch office pursuant to chapter 7 of title 19 of the general laws; or

3 (5) Any natural person employee who is employed by a licensee when acting on the
4 licensee's behalf; provided that this exemption shall not apply to a mortgage loan originator
5 required to be licensed under section 19-14-2 or section 19-14.10-4.

6 (6) A licensed attorney when performing loan closing services for a licensee or for an
7 entity identified in subdivision (4) above.

8 (b) The provisions of this chapter and chapter 14 of this title shall not apply to:

9 (1) Loans to corporations, joint ventures, partnerships, limited liability companies or
10 other business entities;

11 (2) Loans over twenty-five thousand dollars (\$25,000) in amount to individuals for
12 business or commercial, as opposed to personal, family or household purposes;

13 (3) Loans principally secured by accounts receivable and/or business inventory;

14 (4) Loans made by a life insurance company wholly secured by the cash surrender value
15 of a life insurance policy;

16 (5) Education-purpose loans made by the Rhode Island health and educational building
17 corporation as vested in chapter 38.1 of title 45 of the Rhode Island student loan authority as
18 vested in chapter 62 of title 16;

19 (6) The acquisition of retail or loan installment contracts by an entity whose sole
20 business in this state is acquiring them from federal banks receivers or liquidators;

21 (7) Notes evidencing the indebtedness of a retail buyer to a retail seller of goods,
22 services or insurance for a part or all of the purchase price; or

23 (8) Any [municipal](#), state or federal agency which makes, brokers, or funds loans or acts
24 as a lender or a loan broker. This exemption includes exclusive agents or exclusive contractors of
25 the agency specifically designated by the agency to perform those functions on behalf of the
26 agency and which has notified the director, in writing, of the exclusive agency or contract.

27 (9) Notes evidencing the indebtedness of a retail buyer to a retail motor vehicle dealer
28 that include as part of the amount financed, disclosed in accordance with 12 C.F.R. 226.18 as
29 amended, an amount representing negative equity related to the motor vehicle being traded in as
30 part of the purchase price of the motor vehicle being purchased.

31 (c) No license to make or fund loans, or to act as a lender or small loan lender shall be
32 required of any person who engages in deferred deposit transactions (commonly known as "pay-
33 day advance") while holding a valid license to cash checks pursuant to chapter 14 of this title.

1 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO FINANCIAL INSTITUTIONS - LENDERS AND LOAN BROKERS

- 1 This act would exempt municipalities which makes, brokers or funds loans from state
- 2 licensing regulations regarding lenders and loan brokers.
- 3 This act would take effect upon passage.

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