

HOUSE BILL 1944

By Casada

AN ACT to amend Tennessee Code Annotated, Title 45,
Chapter 5, relative to lending.

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

SECTION 1. Tennessee Code Annotated, Section 45-5-102, is amended by adding the following as a new subdivision:

() "Amount financed" means the amount financed as disclosed under the federal Truth in Lending Act, which is contained in Title I of the Consumer Credit Protection Act (15 U.S.C. § 1601 et seq.) and Regulation Z (12 CFR Part 226);

SECTION 2. Tennessee Code Annotated, Section 45-5-102, is amended by deleting the language "§ 45-5-403(1), (2), and (3)" in subdivision (19) and substituting instead the language "§ 45-5-403(a)(1)-(3)".

SECTION 3. Tennessee Code Annotated, Section 45-5-301, is amended by deleting subdivision (2) and substituting instead the following:

(2)

(A) Charge interest:

(i) On loans where the amount financed is less than one hundred dollars (\$100), at a nominal rate not in excess of seven and one-half percent (7.5%) per annum, deducted in advance, on the principal for the full term thereof without regard to the payment schedule; but no interest shall be charged on the loans in excess of a maximum effective rate of eighteen percent (18%) per annum;

(ii) On loans where the amount financed is one hundred dollars (\$100) or more, up to five thousand dollars (\$5,000), on the principal at

any rate not in excess of a maximum effective rate of thirty percent (30%) per annum;

(iii) On loans where the amount financed is more than five thousand dollars (\$5,000), on the principal at any rate not in excess of the maximum effective rate of twenty-four percent (24%) per annum; and

(iv) On loans made under open-end credit plans, which are plans under which a registrant contemplates repeated loans that may be without fixed maturities or limitation as to the length of term, and that are subject to prepayment at any time, at any rate not in excess of a maximum effective rate of twenty-four percent (24%) per annum;

(B) All the interest shall be contracted for and computed in accordance with § 45-5-401;

SECTION 4. Tennessee Code Annotated, Section 45-5-401, is amended by deleting subsection (a) and substituting instead the following:

(a)

(1) With respect to loans where the amount financed is less than one hundred dollars (\$100), this chapter permits, but does not require, interest to be contracted for by way of discount. Interest may also be contracted for at an effective rate that results in the same amount being paid as if interest had been contracted by way of discount at a nominal rate not in excess of the maximum nominal rate specified in § 45-5-301(2) for loans of this category, always subject to the maximum effective rate provided in § 45-5-301(2) for loans of this category.

(2) With respect to loans where the amount financed is one hundred dollars (\$100) or more, this chapter does not limit or restrict the manner or method of contracting for interest, whether by way of add-on, discount, or otherwise, so long as the maximum effective rate of interest for loans of this category does not exceed that authorized by § 45-5-301(2) for the loans.

(3) With respect to loans made under open-end credit plans, interest shall be computed on the principal balance unpaid from time to time, always subject to the maximum effective rate provided in § 45-5-301(2) for loans of this category.

SECTION 5. Tennessee Code Annotated, Section 45-5-401, is amended by deleting subsection (c) and substituting instead the following:

(c) Interest may be contracted for on the unpaid balance due after the maturity date of the loan:

(1) Where the amount financed is less than one hundred dollars (\$100), at an effective rate not to exceed eighteen percent (18%) per annum;

(2) Where the amount financed is one hundred dollars (\$100) or more, up to five thousand dollars (\$5,000), at an effective rate not to exceed thirty percent (30%) per annum;

(3) Where the amount financed is more than five thousand dollars (\$5,000), at an effective rate not to exceed twenty-four percent (24%) per annum;
and

(4) Where the loan is made under an open-end credit plan, at an effective rate not to exceed twenty-four percent (24%) per annum.

SECTION 6. This act shall take effect upon becoming a law, the public welfare requiring it, and shall apply to loans made on or after the effective date of this act.