



S.B. 163

125th General Assembly
(As Introduced)

Sens. Schuler, Stivers, Harris, Randy Gardner, Jacobson

BILL SUMMARY

- Modifies a bank's authority to loan money and extend credit relative to: debt cancellation and debt suspension contracts; periodic statements under revolving credit agreements; interest and other permissible fees and charges; modification of agreements between a bank and borrower; and governing law.

CONTENT AND OPERATION

General powers relating to loans and extensions of credit

(R.C. 1109.15)

Current law authorizes banks to engage in certain activities relating to the loaning of money and the extension of credit. The bill additionally permits banks to enter into debt cancellation and debt suspension contracts with borrowers. It also permits a bank to charge its customers interest, fees, and other charges at any rates or amounts that a bank located in another state can charge to customers in Ohio, *notwithstanding* any limitations contained in the Revised Code (see "Maximum interest rate; other permissible fees and charges," below).

Revolving credit agreements: periodic statements

(R.C. 1109.18)

Current law also permits banks to extend credit to a customer pursuant to a revolving credit agreement, which allows the customer to access the credit from time to time subject to a limitation on the outstanding balance of the credit accessed and without regard to whether the customer has previously accessed and repaid the credit. The law requires a bank to provide its customers under a revolving credit agreement a statement as of the beginning or end of each period in which there is any unpaid balance on the customer's account. The statement must

include several items, such as the unpaid balance, the date and amount of each advance made by the bank for the customer's account, all payments made by the customer to the bank, and the amount of all charges made against the customer.

The bill removes the requirement that a bank provide periodic statements to its revolving credit agreement customers (see **COMMENT**).

Maximum interest rate; other permissible fees and charges

(R.C. 1109.20(A) and (B))

Under existing law, a bank may charge interest or finance charges at any rate agreed to by the parties to a loan contract, extension of credit, or revolving credit agreement, but not exceeding an annual percentage rate of 25%. The law also permits banks to charge other fees or charges agreed to by the bank and the borrower, *including but not limited to* late payment charges, origination fees, application fees, and other specified charges. The bill expressly states that the following are permissible charges: expedited payment fees; points; closing fees; courier fees; document fees; debt cancellation fees; debt suspension fees; title examination fees; broker fees; transaction fees; loan fees; finder's fees; appraisal fees; attorney's fees; credit report fees; premiums or charges for insurance; notary fees; and collection costs.

Current law also specifies what can be charged as interest, and how the interest rate is to be determined, for purposes of federal law addressing parity between national and state-chartered banks.¹ The bill removes this provision.

Modification of agreements between a bank and borrower

(R.C. 1109.20(C))

Under existing law, a bank and a borrower may specify in their agreement terms and conditions for modifying or amending the agreement, subject to any applicable requirements under federal law. The bill adds that a revolving credit agreement may be modified regardless of whether the account is active or inactive or whether additional borrowings are available under the account. In addition, it permits a bank and borrower to modify or amend the terms of an agreement or add or subtract terms, *whether or not* the loan contract, extension of credit, or revolving credit agreement authorizes modification or amendment.

¹ Specifically, the National Bank Act (12 U.S.C.A. 85) and the Depository Institutions Deregulation and Monetary Control Act of 1980 (12 U.S.C.A. 1831d).

Under the bill, a modification or amendment of the terms of an agreement may apply to (1) all outstanding unpaid indebtedness on and after the date upon which the modification or amendment becomes effective and (2) any indebtedness that arose prior to the effective date of the modification or amendment. Additionally, a bank may include any notice of a modification or amendment sent by the bank in the same envelope with a periodic statement or as part of a periodic statement or in other materials sent to the borrower.

Governing law

(R.C. 1109.20(B))

Current law states that any agreement between a bank and a borrower, wherever the borrower's place of residence, is to be governed *solely* by Ohio and federal law, unless otherwise provided for in the agreement. The bill removes the word "solely."

COMMENT

Banks remain subject, however, to the periodic statement requirement of the federal Truth in Lending Act (12 C.F.R. 226.7).

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	12-16-03	p. 1291

s0163-i-125.doc/kl