

House Bill 523

By: Representatives Strickland of the 111<sup>th</sup>, Prince of the 127<sup>th</sup>, Nimmer of the 178<sup>th</sup>, England of the 116<sup>th</sup>, and Meadows of the 5<sup>th</sup>

A BILL TO BE ENTITLED  
AN ACT

1 To amend Chapter 3 of Title 7 of the Official Code of Georgia Annotated, relating to  
2 industrial loans, so as to prohibit the issuance of a license to issue industrial loans within a  
3 certain distance from a military base or installation; to require certain disclosures related to  
4 insurance premiums on industrial loans in certain instances; to prohibit persons engaged in  
5 the business of making industrial loans from issuing payment instruments which create a loan  
6 contract upon redemption, unless a previous contract has been entered into between the two  
7 parties; to provide for related matters; to repeal conflicting laws; and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 style="text-align:center">**SECTION 1.**

10 Chapter 3 of Title 7 of the Official Code of Georgia Annotated, relating to industrial loans,  
11 is amended in Code Section 7-3-9, relating to investigation of application, issuance or denial  
12 of license, and purchase of license location, by revising subsection (b) as follows:

13 "(b) If the Commissioner shall find that:

14 (1) The financial responsibility, character, and general fitness of the applicant are such  
15 as to command the confidence of the public and to warrant a belief that the business will  
16 not be operated unfairly or unlawfully contrary to the purposes of this chapter; ~~and~~

17 (2) Allowing the applicant to engage in business will promote the convenience and  
18 advantage of the community in which the licensed office is to be located; and

19 (3) The location from which the applicant seeks to operate would not be within three  
20 miles of any United States military base or installation.

21 the Commissioner shall grant such application and issue to the applicant a license which  
22 shall be authority to engage in the business of making loans pursuant to said license in  
23 accordance with this chapter."

24 **SECTION 2.**

25 Said chapter is further amended by revising Code Section 7-3-13, relating to prohibition on  
 26 false advertising, as follows:

27 "7-3-13.

28 (a) No person shall advertise, display, distribute, or broadcast in any manner whatsoever  
 29 any false, misleading, or deceptive statement or representation with regard to the rates,  
 30 terms, or conditions for loans subject to this chapter.

31 (b) No licensee shall provide a payment instrument to any person other than a borrower  
 32 that has previously entered into a contract pursuant to this chapter.

33 (c) For the purposes of this Code section, the term 'payment instrument' means any check,  
 34 money order, draft, or negotiable demand instrument which, when redeemed by the person  
 35 named on such instrument, results in a contract with the issuer."

36 **SECTION 3.**

37 Said chapter is further amended in Code Section 7-3-14, relating to maximum loan amount,  
 38 period, and charges, by revising paragraph (3) as follows:

39 "(3) **Insurance premiums.** A licensee may charge and collect from the borrower  
 40 premiums actually paid or to be paid for insurance obtained for the borrower. A licensee  
 41 may accept as security on any loan or advance made under this chapter any one or any  
 42 combination of the following:

43 (A) Insurance on tangible property against substantial risks or loss;

44 (B) Reasonable insurance on the life and health of the principal party; or

45 (C) Reasonable insurance against accident of the principal party;

46 provided, however, that any such insurance shall be reasonably related to the type and  
 47 value of the property insured and to the amount and term of the loan and shall be obtained  
 48 from an insurance company authorized to conduct such business in the State of Georgia  
 49 and at rates lawfully filed by such company with the Commissioner of Insurance and  
 50 through a regular insurance agent licensed by the Commissioner of Insurance; provided,  
 51 further, that the amount of life, health, or accident insurance required as security for loans  
 52 made under this chapter shall not exceed the amount of the loan, including charges, to be  
 53 secured; and the premiums on such insurance required of the principal party obligated  
 54 shall be limited to premiums reasonably based upon reliable actuarial experience and  
 55 sound insurance practice; and the Commissioner is authorized and directed to promulgate  
 56 rules and regulations to effectuate this provision in accordance with the spirit and intent  
 57 thereof. It shall be the duty of the Commissioner from time to time under the foregoing  
 58 direction, after public hearing in the manner provided in subsection (b) of Code Section  
 59 7-3-7, to determine and promulgate the rates and maximum premiums permissible to be

60 charged for life, health, and accident insurance required as security for a loan made under  
61 this chapter and to make regulations incident thereto necessary to effectuate the same;  
62 such premiums, when thus established and as changed from time to time in the manner  
63 aforesaid, shall be the maximum effective and permissible charges under this paragraph.  
64 Premiums paid or to be paid pursuant to the authority of this paragraph shall not  
65 constitute interest. The insurance company in turn may pay to the party writing the  
66 insurance policy sold in connection with the loan a fee or commission in an amount  
67 which is reasonable in relationship to the transaction and in no event in excess of the  
68 amount of fee or commission customarily paid within the industry where comparable  
69 insurance is sold in a transaction not involving credit, as determined by the  
70 Commissioner. A licensee shall conspicuously disclose, in at least 10 point and bolded  
71 type and on the first page of the loan agreement, the exact dollar amount of the  
72 commission to be received as a result of any insurance product sold on any loan at a  
73 licensed location where the percentage of borrowers that accepted such insurance product  
74 from the licensee in the prior calendar year exceeded 50 percent and shall continue to so  
75 disclose until such time as the percentage of borrowers accepting such products falls  
76 below 50 percent;”

77 **SECTION 4.**

78 All laws and parts of laws in conflict with this Act are repealed.