

House Bill 620

By: Representatives Ehrhart of the 36<sup>th</sup>, Meadows of the 5<sup>th</sup>, Strickland of the 111<sup>th</sup>, and Harrell of the 106<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 provide for standards for the issuance of a license to issue industrial  
3 loans; to provide for standards for and require certain disclosures related to insurance  
4 premiums on industrial loans; to repeal conflicting laws; and for other purposes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

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

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

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

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

14 (2) ~~Allowing the applicant to engage in business will promote the convenience and~~  
15 ~~advantage of the community in which the licenses office is to be located; The location~~  
16 from which the applicant seeks to operate would not be within three miles of any  
17 National Guard Armory or any United States military base, installation, or reserve center,

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

21 style="text-align:center">**SECTION 2.**

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

24 "(3) **Insurance premiums.** A licensee may charge and collect from the borrower  
25 premiums actually paid or to be paid for insurance obtained for the borrower. A licensee

26 may accept as security on any loan or advance made under this chapter any one or any  
27 combination of the following:

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

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

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

31 provided, however, that any such insurance shall be reasonably related to the type and  
32 value of the property insured and to the amount and term of the loan and shall be obtained  
33 from an insurance company authorized to conduct such business in the State of Georgia  
34 and at rates lawfully filed by such company with the Commissioner of Insurance and  
35 through a regular insurance agent licensed by the Commissioner of Insurance; provided,  
36 further, that the amount of life, health, or accident insurance required as security for loans  
37 made under this chapter shall not exceed the amount of the loan, including charges, to be  
38 secured; and the premiums on such insurance required of the principal party obligated  
39 shall be limited to premiums reasonably based upon reliable actuarial experience and  
40 sound insurance practice; provided, further, that the licensee shall not have any direct or  
41 indirect interest with the insurance product; and the Commissioner is authorized and  
42 directed to promulgate rules and regulations to effectuate this provision in accordance  
43 with the spirit and intent thereof. It shall be the duty of the Commissioner from time to  
44 time under the foregoing direction, after public hearing in the manner provided in  
45 subsection (b) of Code Section 7-3-7, to determine and promulgate the rates and  
46 maximum premiums permissible to be charged for life, health, and accident insurance  
47 required as security for a loan made under this chapter and to make regulations incident  
48 thereto necessary to effectuate the same; such premiums, when thus established and as  
49 changed from time to time in the manner aforesaid, shall be the maximum effective and  
50 permissible charges under this paragraph. Premiums paid or to be paid pursuant to the  
51 authority of this paragraph shall not constitute interest. The insurance company in turn  
52 may pay to the party writing the insurance policy sold in connection with the loan a fee  
53 or commission in an amount which is reasonable in relationship to the transaction and in  
54 no event in excess of the amount of fee or commission customarily paid within the  
55 industry where comparable insurance is sold in a transaction not involving credit, as  
56 determined by the Commissioner. Any loan contract which includes premiums to be paid  
57 pursuant to the authority of this paragraph shall include a statement of disclosure which  
58 includes the exact dollar amount of the fee or commission to be received as a result of  
59 any insurance product sold on such loan. Such statement of disclosure shall further  
60 include the following statement: 'The purchase of insurance is not required in order to  
61 obtain this loan.' and shall be initialed by each borrower prior to the collection of such  
62 premium."

63

**SECTION 3.**

64 Said chapter is further amended by revising Code Section 7-3-18, relating to delivery of copy  
65 of contract or itemized statement and receipts, as follows:

66 "7-3-18.

67 At the time the loan is made, each licensee under this chapter shall deliver to the borrower  
68 or, if there are two or more, to one of them a copy of the loan contract or a written itemized  
69 statement in the English language showing in clear terms the date and amount of the loan,  
70 a schedule of the payments or a description thereof, the type of security for the loan, the  
71 licensee's name and address, the actual cash advanced to or on behalf of the borrower, the  
72 amount of each class of insurance carried and the premiums paid thereon, ~~and~~ the amount  
73 of interest and fees, and any amount of commission made by the licensee for any insurance  
74 carried on the loan. Each licensee shall give a receipt for every cash payment made."

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**SECTION 4.**

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