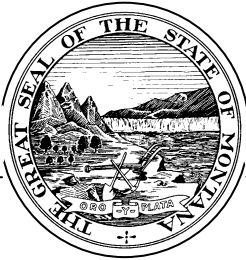


DEPARTMENT OF ADMINISTRATION
DIVISION OF BANKING AND FINANCIAL INSTITUTIONS



BRIAN SCHWEITZER
GOVERNOR

ANNIE M. GOODWIN
COMMISSIONER

STATE OF MONTANA

301 SOUTH PARK, SUITE 316
Helena, MT 59601



MEMORANDUM

To: Deferred Deposit Loan, Title Loan, Consumer Loan, and Sales Finance Licensees

From: Annie M. Goodwin, Commissioner
Division of Banking and Financial Institutions

Re: License Renewal and Ballot Initiative No. 164

Date: November 3, 2010

Ballot Initiative No. 164 (I-164), the ballot initiative which caps the annual interest rate on deferred deposit loans, title loans, consumer loans and retail installment sales contracts at 36%, has been passed by popular vote. The Division of Banking and Financial Institutions (Division) has received inquiries from its deferred deposit loan, title loan, consumer loan, and sales finance licensees (licensees) as to when I-164 will become effective and how it will impact the interest rate or fee that can be charged on these loans. I-164 becomes effective on January 1, 2011. Licensees have expressed concern relative to the current license expiration date (December 31, 2010). The Division is providing information about license renewal and responses to the frequently asked questions that it has received about the implications of I-164. The text of I-164 is available on the Montana Secretary of State's website at <http://sos.mt.gov/Elections/archives/2010s/2010/initiatives/I-164.asp>.

License Renewal

License renewal applications for deferred deposit loan, title loan, consumer loan, and sales finance licensees must be submitted to the Division by December 1, 2010. All license renewal forms are available upon request and are posted on the Division's website at <http://www.banking.mt.gov>.

Deferred Deposit Loans

Question 1: After December 31, 2010, is a deferred deposit loan licensee required to renew its license in order to continue collecting payments or make collection efforts on outstanding deferred deposit loans?

Response 1: Yes. After December 31, 2010, a deferred deposit loan licensee must maintain its Montana deferred deposit loan license in order to continue collecting payments or make collection efforts on outstanding deferred deposit loans.

Question 2: If a deferred deposit loan licensee is collecting outstanding deferred deposit loans (made no later than December 31, 2010) on or after January 1, 2011, what is the applicable fee that may be charged?

Response 2: If a deferred deposit loan was made prior to, or on, December 31, 2010, a deferred deposit lender may charge the fee currently specified in 31-1-722, MCA, that is set forth in the written contract signed by both the borrower and lender.

Question 3: What is the last date on which a deferred deposit loan licensee can make deferred deposit loans at the fee currently set forth by 31-1-722, MCA?

Response 3: December 31, 2010.

Question 4: On what date does the 36% rate cap become effective?

Response 4: Loans made on or after January 1, 2011 are subject to the 36% rate cap.

Title Loans

Question 1: After December 31, 2010, is a title loan licensee required to renew its title loan license in order to continue collecting payments or make collection efforts on outstanding title loans or make vehicle repossessions on defaulted loans?

Response 1: Yes. After December 31, 2010, a title loan licensee must maintain its Montana title loan license in order to continue collecting payments or make collection efforts on outstanding title loans or to repossess a vehicle on a defaulted loan.

Question 2: If a title loan licensee is collecting outstanding title loans (made no later than December 31, 2010) on or after January 1, 2011, what is the applicable interest rate that may be charged?

Response 2: If a title loan or renewal was made prior to, or on, December 31, 2010, a title lender may charge an interest rate specified 31-1-817, MCA, that is set forth in the written contract signed by both the borrower and lender.

Question 3: What is the last date on which a title loan licensee can make or renew a title loan at the interest rates currently set forth by 31-1-817, MCA?

Response 3: December 31, 2010.

Question 4: On what date does the 36% rate cap become effective?

Response 4: Loans made or renewed on or after January 1, 2011 are subject to the 36% rate cap.

Consumer Loans

Question 1: After December 31, 2010, is a consumer loan licensee required to renew its consumer loan license in order to continue collecting payments or make collection efforts on outstanding consumer loans?

Response 1: Yes. After December 31, 2010, a consumer loan licensee must maintain its Montana consumer loan license in order to continue collecting payments or make collection efforts on outstanding consumer loans.

Question 2: If a consumer loan licensee is collecting outstanding consumer loans (made no later than December 31, 2010) on or after January 1, 2011, what is the applicable interest rate that may be charged?

Response 2: If a consumer loan was made prior to or on December 31, 2010 a consumer lender may charge an interest rate that is set forth in the written contract signed by both the borrower and lender.

Question 3: What is the last date on which a consumer loan licensee can make consumer loans that exceed an annual interest rate of 36%?

Response 3: December 31, 2010.

Question 4: On what date does the 36% rate cap become effective?

Response 4: Loans made or refinanced on or after January 1, 2011 are subject to the 36% rate cap.

Retail Installment Sales Contracts

Question 1: After December 31, 2010, is a sales finance licensee required to renew its sales finance license in order to continue collecting payments or make collection efforts on outstanding retail installment sales contracts?

Response 1: Yes. After December 31, 2010, a sales finance licensee must maintain its Montana sales finance license in order to continue collecting payments or make collection efforts on outstanding retail installment sales contracts.

Question 2: If a sales finance licensee is collecting outstanding retail installment sales contracts (made no later than December 31, 2010) on or after January 1, 2011, what is the applicable finance charge that may be charged?

Response 2: If a retail installment sales contract was made prior to or on December 31, 2010, a sales finance company may charge a finance charge that is set forth in the written contract signed by both the borrower and lender.

Question 3: What is the last date on which a sales finance licensee can make retail installment sales contracts that exceed an annual interest rate of 36%?

Response 3: December 31, 2010.

Question 4: On what date does the 36% rate cap become effective?

Response 4: Loans made on or after January 1, 2011, are subject to the 36% rate cap.

Questions

Questions regarding this memo or the license renewal should be directed to Consumer Finance Examination Manager Christopher Romano via email (cromano@mt.gov) or phone (406-841-2928).