

EXHIBIT 1 B04
 DATE 2-9-09
 HB 396

Title Loan Information
 RE: House Bill 396

Representative Bill Wilson

Size of Loan	Maximum Interest for a 30-day Period
Up to \$2000	25%
\$2000-\$4000	18%
\$4,000 +	10%

- Below are some charts that outline how interest accrues quickly and dangerously on title loans. The first chart is directly from the Division of Banking, as is explanation on how the chart should be read. It is important to note that if partial payment on the interest or the principal is made, the loan may be renewed. The bottom two charts follows the Division's example. After the charts is a portion of the Title Loan Act.

	Principal	Interest per month at 25%	Accrued interest at 25%	Total amount due
Original loan	\$500	\$125	\$125	\$625
Renewal 1	\$500	\$125	\$250	\$750
Renewal 2	\$500	\$125	\$375	\$875
Renewal 3	\$500	\$125	\$500	\$1,000
Renewal 4	\$500	\$125	\$625	\$1,125
Renewal 5	\$500	\$125	\$750	\$1,250

*This chart is illustrative only. A borrower must make a payment towards the principal or interest every 60 days. However, for the sake of illustration, this chart assumes no such payment is made. If a borrower does not make a payment towards principal or interest within 60 days, the loan is placed into default.¹

¹ Department of Administration, Division of Banking and Financial Institutions July 21, 2008 – (Montana Administrative Register 14-7/21/08)

	Principal	Interest per month at 18%	Accrued interest at 18%	Total amount due
Original loan	\$3,500	\$630	\$630	\$4,130
Renewal 1	\$3,500	\$630	\$1,260	\$4,760
Renewal 2	\$3,500	\$630	\$1,890	\$5,390
Renewal 3	\$3,500	\$630	\$2,520	\$6,020
Renewal 4	\$3,500	\$630	\$3,150	\$6,650
Renewal 5	\$3,500	\$630	\$3,780	\$7,280

	Principal	Interest per month at 10%	Accrued interest at 10%	Total amount due
Original loan	\$8,000	\$800	\$800	\$8,800
Renewal 1	\$8,000	\$800	\$1,600	\$9,600
Renewal 2	\$8,000	\$800	\$2,400	\$10,400
Renewal 3	\$8,000	\$800	\$3,200	\$11,200
Renewal 4	\$8,000	\$800	\$4,000	\$12,000
Renewal 5	\$8,000	\$800	\$4,800	\$12,800

31-1-817. Interest rates -- fees charged. (1) The maximum rate of interest that a title lender may contract for and receive for making and carrying any title loan authorized by this part may not exceed:

(a) 25% for each 30-day period for the portion of a loan that does not exceed \$2,000;

(b) 18% for each 30-day period for the portion of a loan exceeding \$2,000 but not exceeding \$4,000; and

(c) 10% for each 30-day period, plus fees, on the portion of a loan that exceeds \$4,000.

(2) Title lenders may charge their actual costs of recording liens on borrowers' certificates of title.

(3) Title lenders may charge a service charge, as provided in 27-1-717, if there are insufficient funds to pay a check on the date of presentment. Title lenders may not collect damages under 27-1-717(3) based upon the presentment of an insufficient funds check.

-31-1-816. Title loan requirements -- liability of borrower -- right of rescission -- arbitration. (1) Any licensed title lender may engage in the business of making loans secured by a certificate of title subject to the provisions of this part.

(2) Each title loan must have a term of 30 days and must be reduced to writing in a title loan agreement. Each title loan agreement must provide that:

(a) the title lender agrees to make a loan of money to the borrower and that the borrower agrees to give the title lender a security interest in unencumbered titled personal property owned by the borrower;

(b) the borrower consents to the title lender keeping possession of the certificate of title;

(c) (i) the borrower has the exclusive right to redeem the certificate of title by repaying the loan of money in full and by complying with the title loan agreement for an agreed period of time;

(ii) the borrower may rescind the transaction if, by 5 p.m. of the title lender's first business day following the day that the loan was executed, the borrower provides the title lender with cash or certified funds equaling 100% of the amount loaned to the borrower. A title lender may not charge a borrower any fee or interest if the borrower rescinds the loan as provided in this subsection (2)(c)(ii). Except as provided in this subsection (2)(c)(ii), a borrower does not have a right to rescind the loan unless the title lender agrees to the rescission.

(d) (i) the title loan may be renewed for additional 30-day periods beyond the original term provided that beginning with the sixth renewal, and for each subsequent

renewal, the borrower shall reduce the principal amount by at least 10% of the original principal amount of the loan; and

(ii) if the borrower fails to reduce the principal amount as required by subsection (2)(d)(i), the title lender may at its option:

(A) declare outstanding principal and any finance charges due and payable; or

(B) solely for the purpose of calculating the finance charge, reduce the amount of the principal balance by 10%, with the understanding that that portion of the principal is still owed by the borrower but that portion of the loan may not accrue interest or finance charges after that date;

(e) when the certificate of title is redeemed, the title lender shall release its security interest in the titled personal property and return the personal property certificate of title to the borrower;

(f) (i) upon failure of the borrower to redeem the certificate of title at the end of the original 30-day agreement period or at the end of any agreed-upon 30-day renewal, the borrower shall deliver the titled personal property to the title lender at the location specified in the title loan agreement; and

(ii) the borrower shall deliver the titled personal property to the title lender in substantially the same condition that it was in at the time that the borrower entered into the loan, minus normal wear and tear;

(g) if the borrower fails to deliver the titled personal property to the title lender, the title lender must be allowed to take possession of the titled personal property;

(h) upon obtaining possession of the titled personal property, the title lender is authorized to sell the titled personal property and to convey to the buyer good title, subject to the waiting periods provided for in 31-1-820; and

(i) a borrower who does not redeem a pledged certificate of title is not personally liable to the title lender to repay principal, interest, or expenses incurred in connection with the title loan and that the title lender shall look solely to the titled personal property for satisfaction of the amounts owed under the title loan agreement.

(3) The security interest provided for in subsection (2)(a) is not perfected unless it is filed in accordance with 61-3-103.

(4) Any borrower who obtains a title loan from a title lender under false pretenses by hiding or not disclosing the existence of a valid prior lien or security interest affecting the titled personal property is personally liable to the title lender for the full amount stated in the title loan agreement, including interest and expenses incurred by the title lender in connection with the loan.

(5) (a) A loan agreement may not contain a mandatory arbitration clause that is oppressive, unconscionable, unfair, or in substantial derogation of a borrower's rights.

(b) A mandatory arbitration clause that complies with the applicable standards of the American arbitration association must be presumed to not violate the provisions of subsection (5)(a)