

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda—underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board
--in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

[Home](#) → [Model Legislation](#) → Commerce, Insurance, and Economic Development

Credit Enhancement Loan Act

Summary

An act relating to banking and finance, creating the Credit Enhancement Loan Act; to provide for legislative intent; purposes; definitions; licensing of lenders; penalties for violations; fees payable; requirements necessary for issuance of a license; form and contents of an application; revocation or suspension of a license; amounts of loans and interest rates; prohibition of multiple loans in certain situations; enforcement of loan agreements; disclosure forms for the customer; reporting to credit reporting agencies; requirement of maintenance of financial records by licensees; reports to be filed; cease and desist orders; appeals; non-enforcement of credit enhancement loans; related matters; an effective date and applicability; and for other purposes; providing an effective date.

{Title, enacting clause, etc.}

Section 1. {Short Title} This part may be cited as the "Credit Enhancement Loan Act".

A. Legislative findings and intent.

- (1) Customer education for unbanked and underbanked customers is necessary in order to educate them on the various options for customer credit and financial services that are available;
- (2) Mainstream banking services should be made available to unbanked customers to meet their individual financial needs;
- (3) Accurate and understandable disclosure of agreement terms, conditions, and the cost of obtaining credit is absolutely essential; and
- (4) It is necessary to provide and support ongoing activities to equitably provide mainstream financial services and credit products to financially underserved customers while providing a vehicle to bridge the gap of the financial empowerment divide.
- (5) Provide a vehicle for banking services and mainstream credit products to build and rebuild credit histories to enable customers in all segments of the financial spectrum, especially the financially underserved and unbanked populations, to improve their credit ratings and qualify for mainstream financial services;
- (6) Set forth a minimum set of parameters to establish a credit enhancement loan that other financial institutions may offer to qualified customers; and
- (7) Recognize that oftentimes there is a high cost to a financial institution in serving this segment of the customer financial marketplace, and therefore a higher risk based interest rate shall be permitted to cover this higher risk when a credit enhancement loan is offered.

B. Purpose. The purpose of this section is to:

- (1) Provide general regulatory powers to be exercised by the Appropriate State Regulatory Agency in relation to the regulation of credit enhancement loans, services and charges. This part applies to all licensees under the authority of this part to issue credit enhancement loans.
- (2) Provide for and promote, subject to the provisions of this part:
 - (a) The safe and sound conduct of the business of credit enhancement loans.
 - (b) The maintenance of public confidence in the industry.
 - (c) The protection of the interests of the public in the system.
 - (d) The deterrence of the use of credit enhancement loans as a vehicle for money laundering.
 - (e) The opportunity for licensees to be and remain competitive with each other and with other business organizations existing under the statutes of this state, and with other organizations organized under the laws of other states, the United States, or foreign countries.
 - (f) The opportunity for licensees to effectively serve the convenience and needs of their customers and the public and to participate in and promote the economic progress and welfare of this state and the United States.
 - (g) The opportunity for the management of licensees to exercise their business judgment within the framework of this part.
 - (h) Only such rulemaking power and administrative discretion to the commission as is necessary, in order that the supervision and regulation of licensees may be flexible and readily responsive to changes in economic conditions, in technology, and in practices.
- (3) Any person aggrieved by any rule, order, or act of the department may appeal to the office/commission for review upon giving notice in writing within 60 days after such rule, order, or act is adopted, issued, or done. Any aggrieved party to a decision of the office shall be entitled to an appeal pursuant to

Did you know that global corporation Kraft Foods served as corporate co-chair in 2011?

___ *Appropriate State Statute* ___.

C. Definitions. As used for purposes of this part, unless otherwise clearly indicated by the context:

- (1) Amount of the extension of credit means the aggregate of the loan amounts, services fees, and other charges authorized by this part.
- (2) Commission means the ___ *Appropriate State Agency* ___.
- (3) Credit enhancement loan means a short term loan that complies with all of the requirements of this chapter.
- (4) Creditable assets means cash or bank deposits, loans, or extensions of credit made as a licensee pursuant to this part or any other amounts as the office may approve, or any combination of two or more of these amounts.
- (5) Customer means any person who borrows money from any licensee or who pays or obligates himself or herself to pay any money or otherwise furnishes any valuable consideration to any licensee for any act of the licensee as a licensee.
- (6) Lending means as used in this part shall include, but shall not be limited to, endorsing or otherwise securing extensions of credit or contracts for the repayment of extensions of credit.
- (7) License means the license issued by the office under the authority of this part to issue credit enhancement loans.
- (8) Licensee means a person to whom one or more licenses have been issued.
- (9) Loans mean a loan made within this state by a licensee pursuant to this part.
- (10) Office means the ___ *Appropriate State Agency* ___.
- (11) Person includes any person, firm, partnership, association, or corporation, or other legal entity.

D. Requirements of registration; penalties.

E. Application Process.

F. Administrative Fees.

G. Licensure.

H. Appeal Process.

I. Prohibited acts and practices; administrative enforcement.

J. Procedures for disciplinary actions.

K. Investigations, subpoenas, hearings, and witnesses.

L. Maintenance of Records.

M. Requirements for credit enhancement loans.

- (1) Every licensee under this part shall make credit available through credit enhancement loans in an amount not exceeding \$X,XXX at a maximum interest rate of XX.X percent per annum. Interest shall be contracted for and collected at the single simple interest rate applied to the outstanding balance that would earn the same amount of interest as the initial rate for payment according to schedule.
- (2) Interest on credit enhancement loans made pursuant to this section shall not be paid, deducted, or received in advance. Interest shall not be compounded, but interest on extension of credits shall:
 - (a) Be computed and paid only as a percentage of the unpaid principal balance or portion of the unpaid principal balance; and
 - (b) Be computed on the basis of the number of days actually elapsed.
- (3) If, however, part or all of the consideration for a credit enhancement loan is the unpaid principal balance of a prior credit enhancement loan, then the principal amount payable under the new credit enhancement loan may include any unpaid interest on the prior credit enhancement loan which has accrued within 90 days before the making of the new credit enhancement loan. For the purpose of computing interest, a day shall equal 1/365 of a year. Any payment made on a credit enhancement loan shall be applied first to any accrued interest and then to principal. Any portion or all of the principal balance on a credit enhancement loan may be prepaid at any time without penalty.
- (4) Minimum principal payment requirements on a credit enhancement loan shall be 4 percent of the loan amount or \$25.00, whichever is greater. Customers shall be billed monthly, at a minimum.
- (5) In addition to the interest authorized in subsection (a) of this section, a licensee offering credit enhancement loans under this part may collect from the customer a monthly maintenance fee that shall not exceed \$30.
- (6) Any one-time underwriting fee shall not exceed \$10.
- (7) The maximum fee for a late payment on a credit enhancement loan shall not exceed \$25.00.
- (8) The maximum fee charged for a returned check from a borrower shall not exceed \$30.00.
- (9) The minimum term of a credit enhancement loan shall be three months.
- (10) If the consumer pays off the loan at any time, there will be no pre-payment penalty. No further monthly maintenance fees shall be applied.
- (11) Every licensee under this part shall report, on a periodic basis based on accepted industry standards, credit related data, as incurred, and without discrimination, to major credit reporting agencies to assist customers who pay in a timely manner in building or rebuilding their credit histories.
- (12) Every licensee under this part must graduate customers who make timely payments for each consecutive 12 month period to better interest rates and/or other terms based on positive payment histories in the following manner:
 - (a) On an annualized basis, represents a reduction of at least 15% in the total fees

and interest that were actually charged, on an annualized basis, for such loans within such 12 month time period.

(13) To be eligible to apply for a Credit Enhancement Loan, a consumer must enroll in a financial literacy class or receive credit counseling.

(14) If a money judgment is obtained against any party on any credit enhancement loan made under the provisions of this section, neither the judgment nor the credit enhancement loan shall carry, from the date of the judgment, any interest in excess of 8 percent per annum.

(15) Every licensee under this part shall charge only those fees and interest as authorized in this section and filed with the commission.

(16) Every licensee under this part shall determine the credit worthiness of a customer applying for a credit enhancement loan based on industry accepted or proprietary credit models.

(17) A licensee shall not make credit enhancement loans to any customer who already has an outstanding credit enhancement loan.

(18) A licensee shall take every reasonable precaution to prevent granting credit enhancement loans in violation of subsection (a) of this section.

(19) A licensee may service credit enhancement loans and modify the terms of the loans within the limits authorized by ___Appropriate State Statute___ at any office operated by that licensee regardless of where the credit enhancement loan was originated.

(20) A licensee may not take an assignment of earnings of the customer for payment or as security for payment of a credit enhancement loan. An assignment of earnings in violation of this section is unenforceable by the assignee of the earnings and is revocable by the customer. However, nothing in this section restricts a licensee and customer from entering into an agreement whereby repayment of a credit enhancement loan can be made through automatic payroll deduction, direct withdrawal from a checking account or other automatic repayment plans.

(21) An agreement between a licensee and a customer pursuant to a credit enhancement loan under this part pertaining to default by the customer is enforceable only to the extent that:

(a) The customer fails to make a payment as required by the agreement; or

(b) No licensee shall deny any credit enhancement loan or discriminate in the fixing of the amount, duration, application procedures, or other terms or conditions of any credit enhancement loan or services because of the race, color, religion, national origin, or sex of the applicant or any other person connected with the transaction.

(22) With respect to a credit enhancement loan or services made pursuant to the provisions of this part, the agreement shall not provide for payment by the customer of attorney's fees.

(23) No licensee shall make any credit enhancement loan within this state which shall in any way be secured by real property.

(24) No licensee shall engage in any unfair method of competition or unfair or deceptive trade practices in the conduct of making or providing any credit enhancement loans or services to customers pursuant to this part or in collecting or attempting to collect any money alleged to be due and owing by a customer.

(25) At the time a credit enhancement loan is made available to a customer, the licensee shall deliver to the customer or, if there are two or more customers to such a loan, a copy of a written statement, showing in clear and distinct terms all of the following:

(a) The name and address of the licensee and one of the primary obligors on the credit enhancement loan;

(b) The date of the contract;

(c) A schedule or description of required payments;

(d) All applicable interest rates; and

(e) Any financial literacy materials available to the customer.

(26) At each of its places of business in (Insert State Name), the licensee shall make readily available to the customer, in a form prescribed by the office, a full and accurate schedule of charges on all credit enhancement loans currently being made available by the licensee.

(27) A copy of that schedule required by subsection (b) of this section shall be filed in the office.

(28) No licensee shall require the customer to agree to or execute any confession of judgment or power of attorney in favor of any licensee or in favor of any third person, and any confession of judgment or power of attorney taken in violation of this subsection shall be absolutely void.

(29) No licensee subject to this part shall advertise, display, distribute, telecast, or broadcast or cause or permit to be advertised, displayed, distributed, telecast, or broadcast in any manner whatsoever any false, misleading, or deceptive statement or representation with regard to the rates, terms, or conditions of credit enhancement loans. The office may require that charges or rates of charge, if stated by a licensee, be stated fully and clearly in any manner that the office deems necessary to prevent misunderstanding by prospective customers. The office may permit or require licensees to refer in their advertising to the fact that their business is under state supervision, subject to any conditions required by the office to prevent an erroneous impression as to the scope or degree of protection provided by this part.

Section 2.

{Severability clause.}

{Repealer clause.}

{Effective date.}

Were your laws repealed?

About Us and ALEC EXPOSED. The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish www.PRWatch.org, www.SourceWatch.org, and now www.ALECexposed.org. For more information contact: editor@prwatch.org or 608-260-9713.