



Ohio Revised Code

Section 1321.13 Small loan maximum interest rate; computation of interest; precomputed loans; permissible charges; insurance.

Effective: October 29, 1993

Legislation: Senate Bill 140 - 120th General Assembly

(A) Notwithstanding any other provisions of the Revised Code, a licensee may contract for and receive interest, calculated according to the actuarial method, at a rate or rates not exceeding twenty-eight per cent per year on that portion of the unpaid principal balance of the loan not exceeding one thousand dollars and twenty-two per cent per year on any part of the unpaid principal balance exceeding one thousand dollars. A licensee may contract for and receive interest at the single annual rate that would earn the same total interest at maturity of the loan, when the loan is paid according to its agreed terms, as would be earned by the application of the graduated rates set forth in this division. Loans may be interest-bearing or precomputed.

(B) For purposes of computation of time on interest-bearing and precomputed loans, including, but not limited to, the calculation of interest, a month is considered one-twelfth of a year, and a day is considered one three hundred sixty-fifth of a year when calculation is made for a fraction of a month. A year is as defined in section 1.44 of the Revised Code. A month is that period described in section 1.45 of the Revised Code.

(C) With respect to interest-bearing loans:

(1) Interest shall be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment shall be applied first to unpaid charges and fees, then to interest, and the remainder to the unpaid principal balance. However, if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee may thereafter charge the same rate or rates of interest as provided in the loan contract.

(2) Interest shall not be compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the



new loan contract may include any unpaid interest that has accrued. The resulting loan contract shall be deemed a new and separate loan transaction for purposes of this section. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in division (D)(3) of this section.

(D) With respect to precomputed loans:

(1) Loans shall be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may exceed one month by not more than fifteen days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days; and provided further that monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until maturity of the loan. A licensee may charge interest after the original or deferred maturity of a precomputed loan at the rate or rates provided in division (A) of this section on all unpaid principal balances for the time outstanding.

(3) When any loan contract is paid in full by cash, renewal, refinancing, or a new loan, one month or more before the final installment due date, the licensee shall refund, or credit the borrower with, the total of the applicable charges for all fully unexpired installment periods, as originally scheduled or as deferred, that follow the day of prepayment. If the prepayment is made other than on a scheduled installment due date, the nearest scheduled due date shall be used in such computation. If the prepayment occurs prior to the first installment due date, the licensee may retain one-thirtieth of the applicable charge for a first installment period of one month for each day from date of loan to date of prepayment, and shall refund, or credit the borrower with, the balance of the total interest contracted for. If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered and may thereafter convert the loan to an interest-bearing loan at the same rate or rates of interest as provided in the loan contract. If the maturity of the loan is accelerated for any reason, the licensee may convert the loan to an interest-bearing loan at the same rate or rates of interest as provided in the loan contract, provided the licensee credits the borrower with the same refund on the precomputed loan as if prepayment in full had been made on the date of



the conversion.

(4) If the parties agree in writing, either in the loan contract or in a subsequent agreement, to a deferment of wholly unpaid installments, a licensee may grant a deferment and may collect a deferment charge as provided in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred installment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned prorata during the deferment period and is fully earned on the last day of the deferment period. If a loan is prepaid in full during a deferment period, the licensee shall make, or credit to the borrower, a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan in full.

(E) A licensee, at the request of the borrower, may obtain, on one or more borrowers, credit life insurance, credit accident and health insurance, and unemployment insurance. The premium or identifiable charge for the insurance may be included in the principal amount of the loan and may not exceed the premium rate filed by the insurer with the superintendent of insurance and not disapproved by him. If a licensee obtains the insurance at the request of the borrower, the borrower shall have the right to cancel the insurance for a period of twenty-five days after the loan is made. If the borrower chooses to cancel the insurance, the borrower shall give the licensee written notice of this choice and shall return all of the policies or certificates of insurance or notices of proposed insurance to the licensee during such period, and the full premium or identifiable charge for the insurance shall be refunded to the borrower by the licensee. If the borrower requests, in the notice to cancel the insurance, that this refund be applied to reduce the balance of a precomputed loan, the licensee shall credit the amount of the refund plus the amount of interest applicable to the refund to the loan balance.

(F) A licensee may require the borrower to provide insurance or a loss payable endorsement covering reasonable risks of loss, damage, and destruction of property used as security for the loan and with the consent of the borrower such insurance may cover property other than that which is



security for the loan. The amount and term of required property insurance shall be reasonable in relation to the amount and term of the loan contract and the type and value of the security, and the insurance shall be procured in accordance with the insurance laws of this state. The purchase of this insurance through the licensee or an agent or broker designated by the licensee shall not be a condition precedent to the granting of the loan. If the borrower purchases the insurance from or through the licensee or from another source, the premium may be included in the principal amount of the loan.

(G) In addition to the interest and charges provided for by this section, no further or other amount shall be charged or required by the licensee, except the amounts of fees authorized by law to record, file, or release security interests on a loan and fees for credit reports, which amounts may be included in the principal amount of the loan or collected at any time after the loan is made, and except costs and disbursements to which the licensee may become entitled by law in connection with any suit to collect a loan or any lawful activity to realize on a security interest after default.

(H) If the loan contract or security instrument contains covenants by the borrower to perform certain duties pertaining to insuring or preserving security and the licensee pursuant to the loan contract or security instrument pays for performance of the duties on behalf of the borrower, the licensee may add the amounts paid to the unpaid principal balance of the loan or collect them separately. A charge for interest may be made for sums advanced not exceeding the rate of interest permitted by division (A) of this section. Within a reasonable time after advancing a sum, the licensee shall notify the borrower in writing of the amount advanced, any interest charged with respect to the amount advanced, any revised payment schedule, and shall include a brief description of the reason for the advance.

(I) A licensee may charge and receive loan origination charges not exceeding the following:

(1) On loans in the principal amount of five hundred dollars or less, the greater of fifteen dollars or one per cent of the principal amount of the loan and, on each refinancing made more than six months after the original loan and any previous refinancing, not exceeding fifteen dollars;

(2) On all other loans, the greater of thirty dollars or one per cent of the principal amount of the loan and, on each refinancing, not exceeding thirty dollars. Loan origination charges may be paid by the



borrower at the time of the loan or may be included in the principal amount of the loan.

(J) A licensee may charge and receive check collection charges not greater than twenty dollars plus any amount passed on from other financial institutions for each check, negotiable order of withdrawal, share draft, or other negotiable instrument returned or dishonored for any reason.

(K) If the loan contract so provides, a licensee may collect a default charge on any installment not paid in full within ten days after its due date. For this purpose, all installments are considered paid in the order in which they become due. Any amounts applied to an outstanding loan balance as a result of voluntary release of a security interest, sale of security on the loan, or cancellation of insurance shall be considered payments on the loan, unless the parties otherwise agree in writing at the time the amounts are applied. The amount of the default charge shall not exceed the greater of five per cent of the scheduled installment or five dollars.