

Rules of
Department of Economic
Development
Division 140—Division of Finance
Chapter 11—Small, Small Loan Companies

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**Title 4—DEPARTMENT OF
ECONOMIC DEVELOPMENT
Division 140—Division of Finance
Chapter 11—Small, Small Loan
Companies**

**4 CSR 140-11.010 Small, Small Loan
Companies—Licensing and General
Provisions**

PURPOSE: Small, small loan companies (hereafter known as section 500 companies) are required by section 408.500, RSMo (Cum. Supp. 1990) to obtain a license from the commissioner of finance. This rule establishes guidelines concerning obtaining licenses, which locations will require a license and other general provisions.

(1) **Licensing Fees.** At the time of filing the application, each section 500 company applicant shall pay the sum of three hundred dollars (\$300) as an annual licensing fee for the period January 1 through December 31 next following. Renewal fees shall be paid on or before December 31 of each year. As there is no authorization for prorating the annual fee, the fee shall be the full three hundred dollars (\$300) for any fraction of the licensing year.

(2) **Locations.** Section 408.500, RSMo provides in part that the section 500 company license is available to “lenders exclusively in the business of making unsecured loans under \$500” The conduct of other business, excluding other licensed consumer credit activity, on the premises will not bar the issuance of a section 500 company license but the records of the section 500 company must be kept strictly separate from those of any other enterprise. Further, there should be enough of a distinction, through the use of signage or other means, that the customer can determine that s/he is dealing with a separate company. Under no circumstances will more than one (1) section 500 company license be issued to the same address.

(3) **Additional Locations.** Any location at which a section 500 company permits any person to accept or execute any forms or documents relating to section 500 company business shall be deemed to be a place of business of the section 500 company and shall require a separate license.

(4) **Multiple Loans.** It is recognized that a customer of a section 500 company might require a *bona fide* second (or subsequent) loan. However, no single loan may be split into two (2) or more loans under section 408.500, RSMo or the combination of sec-

tion 408.500, RSMo loans and loans under any other law, with the purpose or result of garnering more interest than would have been available on one (1) loan; for purposes of this rule, affiliated section 500 companies shall be treated as one (1).

(5) **Term.** All loans made by section 500 companies shall have a minimum term of fourteen (14) days. All loans made by section 500 companies with terms exceeding one (1) month shall be payable at monthly intervals. A day in one month to the same day in the following month(s) shall be deemed a month unless that day does not appear in a subsequent month in which case the last day of the shorter month shall constitute a month. No section 500 company loan may have a term exceeding ten (10) months. Interest shall not be discounted nor deducted from the principal of the loan, nor paid nor received at the time the loan is made and shall not be compounded. Finance charges may be computed as add-ons at the inception of the loan and not necessarily as a percentage applied against the unpaid balances.

(6) **Finance Charges—When Earned.** The loan fee and the first month’s finance charge shall be earned upon issuance of the loan. Subsequent months’ finance charge, in the event of prepayment, shall be earned on a monthly *pro rata* basis with the month(s) being considered earned only after the expiration of sixteen (16) days of the payment month.

(7) **Security Prohibited.** No loan made by a section 500 company may be secured or collateralized. A post-dated check shall not be considered security or collateral; provided, however, that no post-dated check may bear any date earlier than the due date of the loan. Should a check for an earlier date be accepted or should any post-dated check be deposited prior to the date on it, the related note shall be void and both principal and interest refunded to the borrower. A check left with a section 500 company shall be returned to the maker immediately upon payment of the loan in cash. A receipt must be given for any payment made in cash.

(8) **Additional Fees Prohibited and Acceleration.** Section 408.500, RSMo prohibits any additional fees. Therefore, no attorney’s fees, collection costs or other costs of any type or kind will be permitted. A contract in default or past maturity may bear interest at the contract rate and not the annual percentage rate (APR). Should a multi-month loan made by a section 500 company

default in any but the last month, a minimum period of fifteen (15) days must elapse before acceleration; at that time the loan may be accelerated as though prepaid in full and the resulting balance may bear interest at the contract rate as described in this rule.

(9) **Penalties.** Violations of this rule shall be regarded as a violation of section 408.500, RSMo and subject to the same penalties as provided in that section.

AUTHORITY: section 408.500, RSMo Supp. 1990. Emergency rule filed Dec. 11, 1990, effective Jan. 1, 1991, expired April 30, 1991. Emergency rule filed April 8, 1991, effective April 30, 1991, expired Aug. 27, 1991. Original rule filed Dec. 11, 1990, effective July 8, 1991.*

**Original authority: 408.500, RSMo 1990, amended 1998.*

**4 CSR 140-11.020 Small, Small Loan
Companies—Recordkeeping**

PURPOSE: Small, small loan companies (hereafter known as section 500 companies) are subject to regulation and examination by the Division of Finance, pursuant to section 408.500, RSMo (Cum. Supp. 1990), for the purpose of assuring compliance with all applicable laws. This rule establishes minimum recordkeeping requirements to facilitate examination and regulation.

(1) **Books and Records.** No special system of records is required by the commissioner of finance. The records of a section 500 company will be considered sufficient if they include a cash journal, double entry general ledger or a comparable record and an individual account ledger. The records of the business of each registered office shall be maintained so that the assets, liabilities, income and expense may be readily ascertained.

(2) **Cash Journal.** A cash book or cash journal shall contain a chronological record of the receipt and disbursement of all funds, all items of receipt or expenditures incidental to the granting or collection of a section 500 company loan.

(3) **General Ledger.** The general ledger shall be posted at least monthly. A trial balance sheet and profit and loss statement shall be available to the examiner. When the general ledger is kept at a central office other than the location of the registered office, the central



office shall provide information required by this section.

(4) Account Ledger. An individual record shall be kept for each individual contract. That ledger card or sheet shall include at least the following items:

- (A) Account number which shall correspond to the loan number and which account numbers shall be sequential;
- (B) Name and address of the borrower and of the section 500 company;
- (C) Date of contract;
- (D) Date when first and subsequent payments are due;
- (E) Number of installments;
- (F) Amount of installments;
- (G) Date payments received;
- (H) The amount financed;
- (I) The finance charge;
- (J) The total of the amount financed and finance charge;
- (K) The total of payments; and
- (L) The annual percentage rate.

(5) Index. The section 500 company shall maintain a file which shall index each borrower alphabetically and contain at least the following information: name of borrower, address of borrower, date of contract, account number and date paid in full. A separate index shall be kept on open contracts or agreements and those paid in full.

(6) Records Available. All books, records and papers, including the contracts and applications, shall be kept in the office of the section 500 company and made available to the examiner of the Division of Finance for examination at any time without previous notice. When contracts are hypothecated or deposited with a financial institution or other party in connection with credit, access to it must be provided for the examiner pursuant to agreement between the section 500 company and the other financial institution(s).

(7) Handling of Errors. When an error is made on the individual ledger or general ledger of a manual operation, a single thin line, preferably in red, shall be drawn through the improper entry and the correct entry made on the following line. No erasures whatsoever shall be made in any record.

(8) Records to be Maintained by Company. A section 500 company shall preserve its records of section 500 company transactions, including cards used in a card system, if any, for at least two (2) years after making the final entry with respect to any section 500 company agreement. The preservation of

records in photographic, microfilm or microfiche form constitutes compliance with this section.

(9) Contracts Paid in Full. When a section 500 company loan is paid in full, it shall be the responsibility of the section 500 company to mark the original contract paid in full and return it to the borrower. If paid by renewal, the note should be so marked.

(10) Contracts Paid in Full Before Maturity. When a section 500 loan is paid in full before maturity, the individual ledger shall show at least the following information:

- (A) The date paid in full; and
- (B) The amount of interest refunded (if any).

(11) Penalties. Violations of this rule shall be regarded as a violation of section 408.500, RSMo and subject to the same penalties as provided in that section.

AUTHORITY: section 408.500, RSMo Supp. 1990. Emergency rule filed Dec. 11, 1990, effective Jan. 1, 1991, expired April 30, 1991. Emergency rule filed April 8, 1991, effective April 30, 1991, expired Aug. 27, 1991. Original rule filed Dec. 11, 1990, effective July 8, 1991.*

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