

of the lien, make the appropriate charge for the filing insurance costs, make that part of the agreement, and they are authorized to do this. Now why does a small loan company have to come to us to get permission to do this? Small loan companies are very tightly regulated by law. They may not charge a dime for any service that we have not authorized them to do. If they want a late fee, if they want a service charge, if they want a bad check charge, unlike a grocery store, they can do it only with the permission of this Legislature. So we are giving them permission to use nonfiling insurance instead of securing a lien. That is change number one. Second change, we authorize late payment penalties for small loan companies, and our existing level is this. It says if you have a loan payment that you don't make in the ten-day grace period, the small loan company may charge 5 percent of the amount that was due or \$5, whichever is lower. Now for a small loan, when \$20 was due, that's fine. Five bucks is a pretty good deterrent, although 5 percent of that is a good deal less than \$5 and it is the lower of the two amounts. What happens when you have \$1,000 due a particular month and you don't pay? Now 5 percent of \$1,000 is fifty bucks. But you don't get to charge fifty bucks as a late payment, you charge \$5 for the late payment. Why? Because it is the less of either one of those two. What incentive is there to pay on time a \$1,000 payment if the sum total of the late payment is five bucks? Very little. So, we have, in the second portion of this, altered what the loan company can charge, because they can't change their charges unless we give them permission, to this formula, 5 percent of what is owed or \$25, whichever is lower. If it is a small amount that is due it will be the 5 percent that will be the lower trigger. If it is a large amount that is due, then perhaps the \$25 figure will be the trigger. It is for the purpose of creating a deterrent for late payments when there is a large amount of money due, when otherwise the only late payment that would be chargeable is \$5 under existing statute. So it is meant to put some teeth in late payment. I will tell you that in a moment I'll offer an amendment to the committee amendments that extends the grace period from 10 days to 15 days. So there is a little break for the consumer in this. Third change: In the event a bad check is given to a small loan company, they do not have the power now to charge a small...a bad check fee like just about everybody else on the planet at this moment. They can't make a charge unless the law permits them to give a charge. The states around us commonly give small loan companies the right to charge a bad check fee and we have, in the committee amendments, authorized