

CHAPTER 217—H.F.No. 1548

An act relating to financial institutions; regulating charges and fees on loans and extensions of credit by financial institutions and others; making various internal reference changes; amending Minnesota Statutes 1988, sections 51A.01; 51A.02, subdivision 14; 51A.38, subdivision 3; 51A.385, subdivisions 4, 5, 6, 7, 8, 9, 11, 12, and 13; 51A.51, subdivision 4; 51A.53; 51A.55, subdivisions 1 and 2; 51A.56; 51A.57; 56.131, subdivision 1; 168.72, subdivision 1; 168.73; and 507.45, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1988, section 51A.01, is amended to read:

51A.01 CITATION.

Sections 51A.01 to ~~51A.57~~ 51A.58 may be cited as the "savings association act."

Sec. 2. Minnesota Statutes 1988, section 51A.02, subdivision 14, is amended to read:

Subd. 14. **CONDITIONAL SALE CONTRACT.** "Conditional sale contract" or "credit sale contract" means a contract evidencing a ~~credit~~ sale on credit.

Sec. 3. Minnesota Statutes 1988, section 51A.38, subdivision 3, is amended to read:

Subd. 3. **PAYMENTS.** Payments on real estate loans shall be applied first to other charges, ~~then to~~ and the payment of interest on the unpaid balance of the loan, in the manner determined by the association, and the remainder on the reduction of principal. All loans may be prepaid in part or in full, at any time. An association may charge a borrower a prepayment fee on any loan that is not a consumer loan. Unless otherwise agreed in writing, any prepayment of principal on any loan may, at the option of the association, be applied on the final installment of the note or other obligation until fully paid, and thereafter on the installments in the inverse order of their maturity, or, at the option of the association, the payments may be applied from time to time wholly or partially to offset payments which subsequently accrue under the loan contract.

Sec. 4. Minnesota Statutes 1988, section 51A.385, subdivision 4, is amended to read:

Subd. 4. **ADDITIONAL AUTHORITY.** Extensions of credit, and purchases of extensions of credit, authorized by sections 47.20, subdivision 1, 3, or 4a; 47.204; 47.21; 48.153; 48.185; 48.195; 59A.01 to 59A.15; 168.66 to 168.77; ~~or;~~ 334.01, subdivision 2; ~~and~~ 334.011; and 334.012 may, but need not, be made pursuant to those sections in lieu of the authority set forth in subdivisions 1 to 3, and if so, are subject to the provisions of those sections, and not the provisions of this section, except this subdivision. An association may also charge an

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organization any rate of interest and any charges agreed to by the organization, and may calculate and collect finance and other charges in any manner agreed to by that organization. Except for extensions of credit the association elects to make under section 334.01, subdivision 2; ~~or 334.011;~~ or 334.012, the provisions of chapter 334 do not apply to extensions of credit made pursuant to this section or the sections mentioned in this subdivision.

Sec. 5. Minnesota Statutes 1988, section 51A.385, subdivision 5, is amended to read:

Subd. 5. **ADDITIONAL CHARGES.** (a) In addition to the finance charges permitted by this section, an association, or a person described in subdivision 2, to the extent not otherwise prohibited by law, may contract for and receive the following additional charges which may be included in the amount financed:

- (1) official fees and taxes;
 - (2) charges for insurance as described in paragraph (b);
 - (3) with respect to a loan or credit sale contract secured by real estate, including a real estate loan, the following "closing costs," if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section:
 - (i) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;
 - (ii) fees for preparation of a deed, mortgage, settlement statement, or other documents, if not paid to the association;
 - (iii) escrows for future payments of taxes, including assessments for improvements, insurance, and water, sewer, and land rents;
 - (iv) fees for notarizing deeds and other documents; and
 - (v) appraisal and credit report fees;
 - (4) a delinquency charge on any installment payment, including the minimum payment due in connection with the open-end credit, not paid in full on or before the tenth day after its due date in an amount not to exceed five percent of the amount of the installment payment;
 - (5) for any returned check or returned automatic payment withdrawal request, an amount not in excess of the service charge limitation in section 332.50; and
 - (6) charges for other benefits, including insurance, conferred on the borrower that are of a type that is not for credit.
- (b) An additional charge may be made for insurance written in connection with the loan or credit sale contract, which may be included in the amount financed:

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(1) with respect to insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, if the association furnishes a clear, conspicuous, and specific statement in writing to the borrower setting forth the cost of the insurance if obtained from or through the association and stating that the borrower may choose the person through whom the insurance is to be obtained;

(2) with respect to credit insurance providing life, accident, health, or unemployment coverage, if the insurance coverage is not required by the association, and this fact is clearly and conspicuously disclosed in writing to the borrower, and the borrower gives specific, dated, and separately signed affirmative written indication of the borrower's desire to do so after written disclosure to the borrower of the cost of the insurance; and

(3) with respect to vendor's single interest insurance, but only (i) to the extent that the insurer has no right of subrogation against the borrower, and (ii) to the extent that the insurance does not duplicate the coverage of other insurance under which loss is payable to the association as its interest may appear, against loss of or damage to property for which a separate charge is made to the borrower pursuant to paragraph (b), clause (1), and (iii) if a clear, conspicuous, and specific statement in writing is furnished by the association to the borrower setting forth the cost of the insurance if obtained from or through the association and stating that the borrower may choose the person through whom the insurance is to be obtained.

(c) In addition to the finance charges and other additional charges permitted by this section, an association may contract for and receive the following additional charges in connection with open-end credit, which may be included in the amount financed or balance upon which the finance charge is computed:

(1) annual charges, not to exceed \$50 per annum, payable in advance, for the privilege of opening and maintaining open-end credit;

(2) charges for the use of an automated teller machine;

(3) charges for any monthly or other periodic payment period in which the borrower has exceeded or, except for the association's dishonor would have exceeded, the maximum approved credit limit, in an amount not in excess of the service charge permitted in section 332.50;

(4) charges for obtaining a cash advance in an amount not to exceed the service charge permitted in section 332.50; and

(5) charges for check and draft copies and for the replacement of lost or stolen credit cards.

Sec. 6. Minnesota Statutes 1988, section 51A.385, subdivision 6, is amended to read:

Subd. 6. ADVANCES TO PERFORM COVENANTS OF BORROWER

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OR PURCHASER. (a) If the agreement with respect to a loan or credit sale contract contains covenants by the borrower or purchaser to perform certain duties pertaining to insuring or preserving collateral and the association pursuant to the agreement pays for performance of the duties on behalf of the borrower or purchaser, the association may add to the debt or contract balance the amounts so advanced. Before or within a reasonable time after advancing any sums, the association shall state to the borrower or purchaser in writing the amount of sums advanced or to be advanced, any charges with respect to this amount, and any revised payment schedule and, if the duties of the borrower or purchaser performed by the association pertain to insurance, a brief description of the insurance paid for or to be paid for by the association including the type and amount of coverages. Further information need not be given.

(b) A finance charge equal to that specified in the loan agreement or credit sale contract may be made for sums advanced under paragraph (a).

Sec. 7. Minnesota Statutes 1988, section 51A.385, subdivision 7, is amended to read:

Subd. 7. **ATTORNEY'S FEES.** With respect to a loan or credit sale, the agreement may provide for payment by the borrower of the attorney's fees and court costs incurred in connection with collection or foreclosure. This subdivision is not a limitation on attorney's fees that may be charged to an organization.

Sec. 8. Minnesota Statutes 1988, section 51A.385, subdivision 8, is amended to read:

Subd. 8. **RIGHT TO PREPAY.** The borrower or purchaser may prepay in full the unpaid balance of a consumer loan or credit sale contract, at any time without penalty.

Sec. 9. Minnesota Statutes 1988, section 51A.385, subdivision 9, is amended to read:

Subd. 9. **CREDIT INSURANCE.** (a) The sale of credit insurance is subject to the provisions of chapter 62B and the rules adopted under that chapter, but the term of the insurance may exceed 60 months if the loan or credit sale contract exceeds 60 months and the insurance will nevertheless be subject to chapter 62B and the rules adopted under that chapter. In case there are multiple consumers obligated under a transaction subject to this chapter, no policy or certificate or insurance providing credit life insurance may be procured by or through an association or person described in subdivision 2 upon more than two of the consumers, in which case they may be insured jointly.

(b) An association which provides credit insurance in relation to open-end credit may calculate the charge to the borrower in each billing cycle by applying the current premium rate to the balance in the manner permitted with respect to finance charges by the provisions on finance charge in this section.

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(c) Upon prepayment in full of a consumer loan or credit sale contract by the proceeds of credit insurance, the consumer or the consumer's estate is entitled to a refund of any portion of a separate charge for insurance which by reason of prepayment is retained by the association or returned to it by the insurer, unless the charge was computed from time to time on the basis of the balances of the consumer's loan or credit sale contract.

(d) This section does not require an association to grant a refund to the consumer if all refunds due to the consumer under paragraph (c) amount to less than \$1 and, except as provided in paragraph (c), does not require the association to account to the consumer for any portion of a separate charge for insurance because:

(1) the insurance is terminated by performance of the insurer's obligation;

(2) the association pays or accounts for premiums to the insurer in amounts and at times determined by the agreement between them; or

(3) the association receives directly or indirectly under any policy of insurance a gain or advantage not prohibited by law.

(e) Except as provided in paragraph (d), the association shall promptly make or cause to be made an appropriate refund to the consumer with respect to any separate charge made to the consumer for insurance if:

(1) the insurance is not provided or is provided for a shorter term than for which the charge to the borrower for insurance was computed; or

(2) the insurance terminates before the end of the term for which it was written because of prepayment in full or otherwise.

(f) If an association requires insurance, upon notice to the borrower, the borrower has the option of providing the required insurance through an existing policy of insurance owned or controlled by the borrower, or through a policy to be obtained and paid for by the borrower, but the association for reasonable cause may decline the insurance provided by the borrower.

Sec. 10. Minnesota Statutes 1988, section 51A.385, subdivision 11, is amended to read:

Subd. 11. **CONSUMER PROTECTIONS.** (a) Associations shall comply with the requirements of the Federal Truth in Lending Act, United States Code, title 15, section 1601 to 1693, in connection with a consumer loan or credit sale for a consumer purpose where the federal Truth in Lending Act is applicable.

(b) Associations shall comply with the following consumer protection provisions in connection with a consumer loan or credit sale for a consumer purpose: sections 325G.02 to 325G.05; 325G.06 to 325G.11; 325G.15 to 325G.22; and 325G.29 to 325G.36, and the Code of Federal Regulations, title 12, part 535, where those statutes or regulations are applicable.

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(c) An assignment of a consumer's earnings by the consumer to an association as payment or as security for payment of a debt arising out of a consumer loan or consumer credit sale is unenforceable by the association and revocable by the consumer.

Sec. 11. Minnesota Statutes 1988, section 51A.385, subdivision 12, is amended to read:

Subd. 12. **LOANS AND CONTRACTS OTHER THAN CONSUMER LOANS AND CONTRACTS.** Loans and credit sale contracts other than consumer loans and consumer credit sale contracts are not subject to the provisions and limitations of subdivisions 8, 9, 10, paragraph (b), and 11.

Sec. 12. Minnesota Statutes 1988, section 51A.385, subdivision 13, is amended to read:

Subd. 13. **EFFECT OF VIOLATIONS ON RIGHTS OF PARTIES.** (a) If an association has violated any provision of this section applying to collection of finance or other charges, the borrower or purchaser under a credit sale contract has a cause of action to recover damages and also a right in an action other than a class action, to recover from the association violating this section a penalty in an amount determined by the court not less than \$100 nor more than \$1,000. With respect to violations arising from other than open-end credit transactions, no action may be brought pursuant to this paragraph and no set-off or recoupment may be asserted pursuant to this paragraph, more than one year after the making of the debt.

(b) A borrower or purchaser under a credit sale contract is not obligated to pay a charge in excess of that allowed by this section and has a right of refund of any excess charge paid. A refund may not be made by reducing the borrower's or purchaser's obligation by the amount of the excess charge, unless the association has notified the borrower or purchaser that the borrower or purchaser may request a refund and the borrower or purchaser has not so requested within 30 days thereafter. If the ~~debtor~~ borrower or purchaser has paid an amount in excess of the lawful obligation under the agreement, the borrower or purchaser may recover the excess amount from the association who made the excess charge or from an assignee of the association's rights who undertakes direct collection of payments from or enforcement of rights against borrowers or purchasers arising from the debt.

(c) If an association has contracted for or received a charge in excess of that allowed by this section, or if a borrower or purchaser under a credit sale contract is entitled to a refund and a person liable to the borrower or purchaser refuses to make a refund within a reasonable time after demand, the borrower or purchaser may recover from the association or the person liable in an action other than a class action a penalty in an amount determined by the court not less than \$100 nor more than \$1,000. With respect to excess charges arising from other than open-end credit transactions, no action pursuant to this paragraph may be brought more than one year after the making of the debt. For purposes of this paragraph, a reasonable time is presumed to be 30 days.

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(d) A violation of this section does not impair rights on a debt.

(e) An association is not liable for a penalty under paragraph (a) or (c) if it notifies the borrower or purchaser under a credit sale contract of a violation before the association receives from the borrower or purchaser written notice of the violation or the borrower or purchaser has brought an action under this section, and the association corrects the violation within 45 days after notifying the borrower or purchaser. If the violation consists of a prohibited agreement, giving the borrower or purchaser a corrected copy of the writing containing the violation is sufficient notification and correction. If the violation consists of an excess charge, correction must be made by an adjustment or refund.

(f) An association may not be held liable in an action brought under this section for a violation of this section if the association shows by a preponderance of evidence that the violation was not intentional and resulted from a bona fide error notwithstanding the maintenance of procedures reasonably adopted to avoid the error.

(g) In an action in which it is found that an association has violated this section, the court shall award to the borrower or the purchaser under a credit sale contract the costs of the action and to the borrower's or purchaser's attorneys their reasonable fees.

Sec. 13. Minnesota Statutes 1988, section 51A.51, subdivision 4, is amended to read:

Subd. 4. **SUPERVISION AND EXAMINATION FEE.** At the time of filing its annual report each association shall pay to the commissioner as a fee for supervision and examination an annual assessment as determined by the commissioner pursuant to the provisions of section 46.131. Such assessment shall be in lieu of all other license fees and charges of any kind whatsoever to any other state department or office, municipality, county, or other political subdivision; provided that the commissioner may assess against any such association the actual and necessary per diem expenses of and incidental to any additional examinations, or to supervision, or to any appraisal or special audit made pursuant to an order of the commissioner acting under authority of sections 51A.01 to ~~51A.57~~ 51A.58.

Sec. 14. Minnesota Statutes 1988, section 51A.53, is amended to read:

51A.53 POWERS OF FEDERAL ASSOCIATIONS; APPROVAL.

Subject to the approval of the commissioner, any savings and loan association organized under sections 51A.01 to ~~51A.57~~ 51A.58 is vested with all powers conferred upon a federal association organized under the laws and regulations of the United States or its agencies, as amended, as fully and completely as if the powers were specifically enumerated and described herein, provided that the same are not specifically prohibited by state law.

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Sec. 15. Minnesota Statutes 1988, section 51A.55, subdivision 1, is amended to read:

Subdivision 1. ~~ALL THRIFT AND HOME FINANCING ORGANIZATIONS, TO BE SUBJECT TO PROVISIONS OF SECTIONS 51A.01 TO 51A.57.~~ All persons accepting moneys from the public and engaged in home financing, whether or not incorporated, and every corporation heretofore incorporated under the statutes of this state which has for its purpose the promotion of thrift and the financing of homes, except those regulated under other Minnesota Statutes or federal laws, by whatever name known, shall at the time sections 51A.01 to ~~51A.57~~ 51A.58 become effective be subject to the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 and shall be deemed to exist hereunder.

Sec. 16. Minnesota Statutes 1988, section 51A.55, subdivision 2, is amended to read:

Subd. 2. ~~ALL SUCH EXISTING CORPORATIONS HERETOFORE INCORPORATED CONFORMED TO PROVISIONS OF SECTIONS 51A.01 TO 51A.57.~~ The name, rights, powers, privileges, and immunities of every such corporation heretofore incorporated in this state shall be governed, controlled, construed, extended, limited, and determined by the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 to the same extent and effect as if such corporation had been incorporated pursuant hereto, and the articles of association, certificate of incorporation, or charter, however entitled, bylaws and constitution, or other rules of every such corporation heretofore made or existing are hereby modified, altered, and amended to conform to the provisions of sections 51A.01 to ~~51A.57~~ 51A.58, with or without the issuance or approval by the commissioner of conformed copies of such documents, and the same are declared void to the extent that the same are inconsistent with the provisions of sections 51A.01 to ~~51A.57~~ 51A.58; except that the obligations of any such existing corporation, whether between such corporation and its members, or any of them, or any other person or persons, or any valid contract between the members of any such corporation, or between such corporation and any other person or persons, existing on July 1, 1969, shall not be in any way impaired by the provisions of sections 51A.01 to ~~51A.57~~ 51A.58, and, with such exceptions, every such corporation shall possess the rights, powers, privileges, and immunities and shall be subject to the duties, liabilities, disabilities, and restrictions conferred and imposed by sections 51A.01 to ~~51A.57~~ 51A.58, notwithstanding anything to the contrary in its certificate of incorporation, bylaws, constitution, or rules.

Sec. 17. Minnesota Statutes 1988, section 51A.56, is amended to read:

51A.56 ACT CONTROLLING.

Insofar as the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 are inconsistent with the provisions of any other law affecting associations, the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 shall control.

Sec. 18. Minnesota Statutes 1988, section 51A.57, is amended to read:

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51A.57 SEPARABILITY.

If any provision, clause, or phrase of sections 51A.01 to ~~51A.57~~ 51A.58 or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of sections 51A.01 to ~~51A.57~~ 51A.58 which can be given effect without the invalid provisions or application, and to this end the provisions of sections 51A.01 to ~~51A.57~~ 51A.58 are declared to be separable.

Sec. 19. Minnesota Statutes 1988, section 56.131, subdivision 1, is amended to read:

Subdivision 1. **INTEREST RATES AND CHARGES.** (a) On any loan in a principal amount not exceeding \$35,000 or ~~ten~~ 15 percent of a corporate licensee's contributed capital and appropriated reserves as defined in section 53.015, if greater, a licensee may contract for and receive interest, calculated according to the actuarial method, not exceeding the equivalent of the greater of any of the following:

(1) the total of: (i) 33 percent per year on that part of the unpaid balance of the principal amount not exceeding \$350; and (ii) 19 percent per year on that part of the unpaid balance of the principal amount exceeding \$350; or

(2) 21.75 percent per year on the unpaid balance of the principal amount.

(b) On any loan where interest has been calculated according to the method provided for in paragraph (a), clause (1), interest must be contracted for and earned as provided in that provision or at the single annual percentage rate computed to the nearest 1/100 of one percent that would earn the same total interest at maturity of the contract as would be earned by the application of the graduated rates provided in paragraph (a), clause (1), when the debt is paid according to the agreed terms and the calculations are made according to the actuarial method.

(c) Loans may be interest-bearing or precomputed.

(d) To compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month.

In the alternative, for interest-bearing loans, a licensee may charge interest at the rate of 1/365 of the agreed annual rate for each actual day elapsed.

(e) With respect to interest-bearing loans:

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(1) Interest must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that 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.

(2) Interest must not be payable in advance or 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 which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (f), clause (3). The resulting loan contract is deemed a new and separate loan transaction for all purposes.

(f) With respect to precomputed loans:

(1) Loans must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be more or less than one month by not more than 15 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 must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and 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 the loan is fully paid. Payments must be applied in the order in which they become due.

(3) When any loan contract is paid in full by cash, renewal or refinancing, or a new loan, one month or more before the final installment due date, a 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, which follow the day of prepayment; if the prepayment is made other than on a scheduled payment date, the nearest scheduled installment payment date must be used in the computation; provided further, if the prepayment occurs prior to the first installment due date, the licensee may retain 1/30 of the applicable charge for a first installment period of one month for each day from the date of the loan to the 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.

(4) If an installment, other than the final installment, is not paid in full within ten days of its scheduled due date, a licensee may contract for and receive a default charge not exceeding five percent of the amount of the installment, but not less than \$4.

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A default charge under this subdivision may not be collected on an installment paid in full within ten days of its scheduled due date, or deferred installment due date with respect to deferred installments, even though a default or deferral charge on an earlier installment has not been paid in full. A default charge may be collected at the time it accrues or at any time thereafter.

(5) 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 payment. A proportionate charge may be made for deferment for periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. Should a loan be 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.

(6) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.

(7) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under paragraph (f), clause (6), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

Sec. 20. Minnesota Statutes 1988, section 168.72, subdivision 1, is amended to read:

Subdivision 1. (a) The finance charge authorized by sections 168.66 to 168.77 in a retail installment sale may not exceed the following simple interest annual percentage rates:

Class 1. Any motor vehicle designated by the manufacturer by a year model of the same or not more than one year prior to the year in which the sale is made - 18 percent per year.

Class 2. Any motor vehicle designated by the manufacturer by a year model

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of two or three years prior to the year in which the sale is made - 19.75 percent per year.

Class 3. Any motor vehicle not in Class 1 or Class 2 - 23.25 percent per year.

(b) The finance charge must be computed on the principal balance outstanding from time to time ~~as originally determined under section 168.71, clause (b).~~ The beginning principal balance must be as originally determined under section 168.71.

Retail installment contracts may be interest-bearing or precomputed, and fixed-rate or variable rate. For precomputed retail installment contracts, the finance charge may be calculated in advance on the assumption that all scheduled payments will be made when due and the effect of prepayment in full is governed by section 168.73. To compute time for the purpose of calculating interest under this section and section 168.73, a day may be considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same-numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month. In the alternative, for interest-bearing retail installment contracts, a retail seller may charge finance charges not to exceed 1/365th of the simple interest annual percentage rate permitted in this section for each actual day elapsed from the date of the retail installment contract through and including the date of payment in full.

(c) The finance charge is inclusive of all charges incident to investigating and making the contract, and for the extension of the credit provided for in the contract and no fee, commission, expense or other charge whatsoever may be taken, received, reserved, or contracted for except taxes, fees, and charges that actually are or will be paid to public officials or government agencies for determining the existence of or for perfecting, releasing, or satisfying a security interest, and except as provided in sections 168.66 to 168.77.

Sec. 21. Minnesota Statutes 1988, section 168.73, is amended to read:

168.73 PREPAYMENT IN FULL, REFUND CREDITS, ALLOWANCE.

Notwithstanding the provisions of any retail installment contract to the contrary, any retail buyer may pay in full at any time before maturity the debt of any retail installment contract without penalty. In paying a precomputed retail installment contract in full, the retail buyer shall receive a refund credit thereon for such anticipation of payments. For contracts with substantially equal scheduled monthly payments remaining after the date of prepayment in full, the refund must be calculated for all fully unexpired monthly payment periods following the date of payment in full. For all other contracts, the refund must be calculated as of the date in the month following prepayment which corre-

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sponds to the original contract date. The refund shall be calculated according to the actuarial method, less an acquisition cost of \$15 ~~after the date prepayment is made~~ which may be deducted from the refund so calculated.

Where the amount of the credit for anticipation of payment is less than \$1, no refund need be made.

The actuarial method means the method of allocating payments on a contract between the principal amount and finance charge at the contract rate charged under section 168.72, whereby a payment is applied first to the accumulated finance charge and then to the unpaid principal balance based on the original terms of the contract and based on the assumption that all payments are made on the due date as originally scheduled or deferred.

Sec. 22. Minnesota Statutes 1988, section 507.45, subdivision 2, is amended to read:

Subd. 2. No charge for closing services, except a charge ~~required to be disclosed by under~~ Regulation Z, Code of Federal Regulations, title 12, section 226, or for which an estimate has been given pursuant to the Federal Real Estate Settlement Procedures Act, may be made by a closing agent unless the party to be charged is informed of the charge in writing at least five business days before the closing by or on behalf of the party charging for the closing services.

Presented to the governor May 19, 1989

Signed by the governor May 22, 1989, 8:17 p.m.

CHAPTER 218—H.F.No. 786

An act relating to employment; requiring the hiring of local workers and the payment of wages equal to those of railroad workers on certain railroad projects assisted with state money; amending Minnesota Statutes 1988, section 222.50, subdivision 5.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1988, section 222.50, subdivision 5, is amended to read:

Subd. 5. In making any contract pursuant to subdivision 4 the commissioner may:

(a) Stipulate minimum operating standards for rail lines designed to achieve reasonable transportation service for shippers and to achieve best use of funds invested in rail line rehabilitation;

(b) Require a portion of the total assistance for improving a rail line to be

New language is indicated by underline, deletions by ~~strikeout~~.