CHAPTER 56

REGULATED LOANS

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56.0001 CITATION.

Sections 56.001 to 56.26 may be cited as the "Minnesota Regulated Loan Act."

History: *1982 c 547 s 4*

56.001 DEFINITIONS.

Subdivision 1. **Terms.** When used in this chapter, the terms defined in this section have the meanings given them, unless their context requires a different meaning.

Subd. 2. **Actuarial method.** "Actuarial method" means the method of allocating payments made on a loan between the principal amount and interest whereby a payment is applied first to the accumulated interest and then to the unpaid principal amount.

Subd. 3. **Applicable charge.** "Applicable charge" means the amount of interest attributable to each monthly installment period of the loan contract. The applicable charge is computed as if each installment period were one month and any charge for extending the first installment period beyond one month, or reduction in charge for a first installment less than one month, is ignored. The applicable charge for any installment period is that which would have been made for the period had the loan been made on an interest-bearing basis at the single annual percentage rate permitted by section 56.131, subdivision 1, based upon the assumption that all payments were made according to schedule. For convenience in computation, the licensee may round the single annual rate to the nearest one quarter of one percent.

Subd. 4. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subd. 5. [Repealed, 2014 c 222 art 1 s 58]

Subd. 6. [Repealed, 2014 c 222 art 1 s 58]

Subd. 7. **Precomputed loan.** "Precomputed loan" means a loan in which the debt is a sum comprising the principal amount and the amount of interest computed actuarially in advance on the assumption that all scheduled payments will be made when due.

Subd. 8. **Person.** "Person" includes individuals, copartnerships, associations, and corporations.

Subd. 9. **Principal amount.** "Principal amount" means the amount of cash paid to, or paid or payable for, the account of the borrower.

History: *1981 c 258 s 1; 1Sp1981 c 4 art 4 s 35; 1983 c 250 s 26; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92*

56.002 APPLICATION.

This chapter does not apply to a person doing business under and as permitted by any law of this state or of the United States relating to banks, savings associations, trust companies, licensed pawnbrokers, a residential mortgage originator or servicer licensed under chapter 58 that offers residential mortgage origination services or residential mortgage servicing, or credit unions. Notwithstanding the provisions of section 56.01, an industrial loan and thrift company under chapter 53 may contract for and receive the charges, including those in section 56.155, authorized by this chapter without being licensed pursuant to this chapter, but shall comply with all other provisions of this chapter when contracting for or receiving charges on loans regulated by this chapter.

History: *1981 c 258 s 2; 1Sp1981 c 4 art 4 s 11; 1995 c 202 art 1 s 25; 2026 c 124 art 1 s 9*

56.01 NECESSITY OF LICENSE.

(a) Except as authorized by this chapter and without first obtaining a license from the commissioner, no person shall engage in the business of making loans of money, credit, goods, or things in action, in an amount or of a value not exceeding that specified in section 56.131, subdivision 1, and charge, contract for, or receive on the loan a greater rate of interest, discount, or consideration than the lender would be permitted by law to charge if not a licensee under this chapter. A person must obtain a license from the commissioner under this chapter before arranging a consumer short-term loan under section 47.601.

(b) An agency or instrumentality of the United States government or a corporation otherwise created by an act of the United States Congress or a lender approved or certified by the secretary of housing and urban development, or approved or certified by the administrator of veterans affairs, or approved or certified by the administrator of the Farmers Home Administration, or approved or certified by the Federal Home Loan Mortgage Corporation, or approved or certified by the Federal National Mortgage Association, that engages in the business of purchasing or taking assignments of mortgage loans and undertakes direct collection of payments from or enforcement of rights against borrowers arising from mortgage loans, is not required to be licensed under this chapter in order to purchase or take assignments of mortgage loans from licensees under this chapter.

History: *(7774-41) 1939 c 12 s 1; 1959 c 573 s 1; 1967 c 261 s 1; 1974 c 412 s 1; 1981 c 258 s 3; 1Sp1985 c 1 s 14; 1986 c 444; 2026 c 124 art 1 s 10*

56.02 APPLICATION FEE.

(a) Application for license shall be in writing, under oath, and in the form prescribed by the commissioner, and contain the name and the address, both of the residence and place of business, of the applicant and, if the applicant is a copartnership or association, of every member thereof, and if a corporation, of each officer

and director thereof; also the county and municipality, with street and number, if any, where the business is to be conducted, and such further information as the commissioner may require. The applicant at the time of making application, shall pay to the commissioner the sum of $500 as a fee for investigating the application, and the additional sum of $250 as an annual license fee for a period terminating on the last day of the current calendar year. In addition to the annual license fee, every licensee hereunder shall pay to the commissioner the actual costs of each examination, as provided for in section 56.10. All money collected by the commissioner under this chapter shall be deposited in the financial institutions account under section 46.131, subdivision 11.

(b) Every applicant shall also prove, in form satisfactory to the commissioner, that the applicant has available for the operation of the business at the location specified in the application, liquid assets of at least $50,000.

(c) Section 58A.04, subdivisions 2 and 3, apply to this section.

History: *(7774-42) 1939 c 12 s 2; 1959 c 573 s 2; 1969 c 347 s 3; 1969 c 399 s 1; 1975 c 379 s 1; 1981 c 258 s 4; 1986 c 444; 1999 c 151 s 32; 2003 c 112 art 2 s 50; 2009 c 101 art 2 s 109; 2020 c 80 art 1 s 8; 2022 c 93 art 2 s 17*

56.03 [Repealed, 1959 c 573 s 13]

56.04 INVESTIGATION; ISSUANCE OF LICENSE; DENIAL; REFUNDS.

Upon the filing of the application and payment of these fees, the commissioner shall investigate the facts, and if the commissioner shall find (1) that the financial responsibility, experience, character, and general fitness of the applicant, and of the members thereof if the applicant be a copartnership or association, and of the person with direct responsibility for the operation and management of the proposed office are such as to command confidence and to warrant belief that the business will be operated honestly, fairly, and efficiently within the purposes of this chapter, and primarily for purposes other than making loans to finance the purchase of products or services, other than insurance products authorized in this chapter or chapter 62B, offered by the applicant, a person which controls or is controlled by the applicant, or a person which is controlled by persons which also control the applicant; and (2) that the applicant has available for the operation of the business, at the specified location, liquid assets of at least $50,000 (the foregoing facts being conditions precedent to the issuance of a license under this chapter), the commissioner shall thereupon issue and deliver a license to the applicant to make loans, in accordance with the provisions of this chapter, at the location specified in the application. If the commissioner shall not so find, the commissioner shall not issue a license and shall notify the applicant of the denial and return to the applicant the sum paid by the applicant as a license fee, retaining the $500 investigation fee to cover the costs of investigating the application. The commissioner shall approve or deny every application for license hereunder within 60 days from the filing thereof with the fees.

If the application is denied, the commissioner shall, within 20 days thereafter, file in the commissioner's office a written decision and findings with respect thereto containing the evidence and the reasons supporting the denial, and forthwith serve upon the applicant a copy thereof.

There is hereby appropriated to such persons as are entitled to such refund, from the fund or account in the state treasury to which the money was credited, an amount sufficient to make the refund and payment.

History: *(7774-44) 1939 c 12 s 4; 1959 c 157 s 4; 1959 c 573 s 3; 1971 c 526 s 1; 1981 c 258 s 5; 1Sp1985 c 1 s 15; 1986 c 444; 1992 c 587 art 1 s 22; 2001 c 56 s 7*

56.05 LICENSE; TO BE POSTED.

(a) The license shall state the address at which the business is to be conducted and shall state fully the name of the licensee, and if the licensee is a copartnership or association, the names of the members thereof, and if a corporation, the date and place of its incorporation.

(b) The license shall be kept conspicuously posted in the place of business of the licensee, and shall not be transferable or assignable. For a licensee that offers service via the Internet, the license number must be clearly displayed on each web page or other document required by an order issued by the commissioner.

History: *(7774-45) 1939 c 12 s 5; 2026 c 124 art 1 s 11*

56.06 [Repealed, 1981 c 258 s 23]

56.07 CONTROL OVER LOCATION.

Subdivision 1. **General.** Not more than one place of business shall be maintained under the same license, but the commissioner may issue more than one license to the same licensee upon compliance with all the provisions of this chapter governing an original issuance of a license, for each such new license. To the extent that previously filed applicable information remains substantially unchanged, the applicant need not refile this information, unless requested.

When a licensee shall wish to change a place of business, the licensee shall give written notice thereof 30 days in advance to the commissioner, who shall within 30 days of receipt of such notice, issue an amended license approving the change. No change in the place of business of a licensee to a location outside of its current trade area or more than 25 miles from its present location, whichever distance is greater, shall be permitted under the same license unless all of the requirements of section 56.04 have been met.

A licensed location must be open for business and examination purposes on a schedule provided to and approved by the commissioner. This schedule of regular business must be conspicuously posted at the licensed location.

Subd. 2. **Interactive kiosk locations.** Licensed locations providing limited services on an interactive telephone-customer service communications terminal are required to comply with paragraphs (a) to (c).

(a) The licensee must maintain business books, accounts, and records on a suitable alternative system of maintenance approved by the commissioner.

(b) The license required to be posted under section 56.05 may be displayed on the customer service communications terminal screen for a period of no less than 15 seconds.

(c) The full and accurate schedule of charges required by section 56.14, clause (5), may be displayed on the customer service communications terminal screen for no less than 20 seconds.

History: *(7774-47) 1939 c 12 s 7; 1965 c 45 s 7; 1981 c 258 s 6; 1Sp1985 c 1 s 16; 1986 c 444; 1992 c 587 art 1 s 23; 1997 c 157 s 48*

56.08 MS 2024 [Repealed, 2026 c 124 art 1 s 63]

56.09 SUSPENSION OR REVOCATION OF LICENSE.

The commissioner shall, upon ten days' notice to the licensee stating the contemplated action and in general the grounds therefor, and upon reasonable opportunity to be heard, revoke any license issued hereunder if the commissioner shall find that:

(1) The licensee has failed to pay the annual license fee required under the provisions of this chapter, or to comply with any demand, ruling, or requirement of the commissioner lawfully made pursuant to and within the authority of this chapter; or that

(2) The licensee has violated any material provision of this chapter or any rule lawfully made by the commissioner under and within the authority of this chapter; or that

(3) Any fact or condition exists which, if it had existed at the time of the original application for the license, clearly would have warranted the commissioner in refusing originally to issue the license.

The commissioner may, upon three days' notice and a hearing, suspend any license for a period not exceeding 30 days, pending investigation.

The commissioner may revoke or suspend only the particular license with respect to which grounds for revocation or suspension may occur or exist, or, if the commissioner shall find that the grounds for revocation or suspension are of general application to all offices, or to more than one office, operated by the licensee, the commissioner shall revoke or suspend all of the licenses issued to the licensee or the licenses as the grounds apply to, as the case may be.

Any licensee may surrender any license by delivering to the commissioner written notice that the licensee thereby surrenders the license, but the surrender shall not affect the licensee's civil or criminal liability for acts committed prior to the surrender.

No revocation or suspension or surrender of any license shall impair or affect the obligation of any preexisting lawful contract between the licensee and any borrower.

Every license issued hereunder shall remain in force and effect until the same shall have been surrendered, revoked, or suspended in accordance with the provisions of this chapter, but the commissioner shall have authority, on the commissioner's own initiative, to reinstate suspended licenses or to issue new licenses to a licensee whose license or licenses shall have been revoked if no fact or condition then exists which clearly would have warranted the commissioner in refusing originally to issue the license under this chapter.

When the commissioner shall revoke or suspend a license issued pursuant to this chapter, a written order to that effect and findings with respect thereto containing the evidence and the reasons supporting the revocation or suspension shall be filed in the commissioner's office, and a copy thereof forthwith served upon the licensee.

History: *(7774-49) 1939 c 12 s 9; 1959 c 573 s 6; 1981 c 258 s 7; 1985 c 248 s 70; 1986 c 444*

56.10 GENERAL OVERSIGHT AND ADMINISTRATION.

Subdivision 1. **Examinations.** For the purpose of discovering violations of this chapter or securing information lawfully required by the commissioner hereunder, the commissioner may, at any time, either personally or by a person or persons duly designated, investigate the loans and business and examine the books, accounts, records, and files used therein, of every licensee and of every person who shall be engaged in the business described in section 56.01, whether the person shall act or claim to act as principal or agent, or under or without the authority of this chapter. For that purpose the commissioner and a duly designated representative shall have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all such persons. The commissioner and all persons duly designated shall have authority to require the attendance of and to examine, under oath, all persons whomsoever whose testimony the commissioner may require relative to the loan or the business or to the subject matter of any examination, investigation, or hearing. Upon written agreement with the licensee, the commissioner may conduct

examinations applying the procedures for purposes of this subdivision and section 46.04, subdivision 1, to facilitate the qualifications of the licensee to participate in the United States Small Business Administration loan guarantee or similar programs.

Each licensee shall pay to the commissioner such amount as may be required under section 46.131, and the commissioner may maintain an action for the recovery of such costs in any court of competent jurisdiction.

Subd. 2. **Interpretive opinions.** The commissioner may honor requests from interested parties for interpretive opinions in connection with the administration of this chapter. No provision of this chapter or of any other chapter to which this chapter refers which imposes any penalty shall apply to any act done or omitted to be done in conformity with any written interpretive opinion of the commissioner, notwithstanding that such written interpretive opinion may, after such act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

History: *(7774-50) 1939 c 12 s 10; 1965 c 475 s 3; 1981 c 258 s 8; 1986 c 444; 1993 c 257 s 36; 1997 c 157 s 49*

56.11 BOOKS OF ACCOUNT; ANNUAL REPORT.

The licensee shall keep and use in the licensee's business such books, accounts, and records as will enable the commissioner to determine whether the licensee is complying with the provisions of this chapter and with the rules lawfully made by the commissioner hereunder. Every licensee shall preserve such books, accounts, and records, including cards used in the card system, if any, for at least two years after making the final entry on any loan recorded therein. Accounting systems maintained in whole or in part by mechanical or electronic data processing methods which provide information equivalent to that otherwise required are acceptable for this purpose.

Each licensee shall annually on or before the first day of March, file a report with the commissioner giving such relevant information as the commissioner reasonably may require concerning the business and operations during the preceding calendar year of each licensed place of business, conducted by such licensee within the state. Such report shall be made under oath and shall be in the form prescribed by the commissioner, who shall make and publish annually an analysis and recapitulation of such reports.

History: *(7774-51) 1939 c 12 s 11; 1943 c 106 s 1; 1981 c 258 s 9; 1985 c 248 s 70; 1986 c 444; 1995 c 202 art 1 s 19*

56.12 ADVERTISING; TAKING OF SECURITY; PLACE OF BUSINESS.

No licensee shall advertise, print, display, publish, distribute, or broadcast, or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner any statement or representation with regard to the rates, terms, or conditions for the lending of money, credit, goods, or things in action which is false, misleading, or deceptive. The commissioner may order any licensee to desist from any conduct which the commissioner shall find to be a violation of the foregoing provisions.

The commissioner may require that rates of charge, if stated by a licensee, be stated fully and clearly in such manner as the commissioner may deem necessary to prevent misunderstanding thereof by prospective borrowers. In lieu of the disclosure requirements of this section and section 56.14, a licensee may give the disclosures required by the federal Truth-in-Lending Act.

A licensee may take a lien upon real estate as security for any loan exceeding $8,640 in principal amount made under this chapter. The provisions of sections 47.20 and 47.21 do not apply to loans made under this chapter, except as provided in this section. No loan secured by a first lien on a borrower's primary residence

shall be made pursuant to this section if the proceeds of the loan are used to finance the purchase of the borrower's primary residence, unless:

(1) the proceeds of the loan are used to finance the purchase of a manufactured home or a prefabricated building; or

(2) the proceeds of the loan are used in whole or in part to satisfy the balance owed on a contract for deed.

If the proceeds of the loan are used to finance the purchase of the borrower's primary residence, the licensee shall consent to the subsequent transfer of the real estate if the existing borrower continues after transfer to be obligated for repayment of the entire remaining indebtedness. The licensee shall release the existing borrower from all obligations under the loan instruments, if the transferee (1) meets the standards of credit worthiness normally used by persons in the business of making loans, including but not limited to the ability of the transferee to make the loan payments and satisfactorily maintain the property used as collateral, and (2) executes an agreement in writing with the licensee whereby the transferee assumes the obligations of the existing borrower under the loan instruments. Any such agreement shall not affect the priority, validity or enforceability of any loan instrument. A licensee may charge a fee not in excess of one-tenth of one percent of the remaining unpaid principal balance in the event the loan is assumed by the transferee and the existing borrower continues after the transfer to be obligated for repayment of the entire assumed indebtedness. A licensee may charge a fee not in excess of one percent of the remaining unpaid principal balance in the event the remaining indebtedness is assumed by the transferee and the existing borrower is released from all obligations under the loan instruments, but in no event shall the fee exceed $480.

A licensee making a loan under this chapter secured by a lien on real estate shall comply with the requirements of section 47.20, subdivision 8.

No licensee shall conduct the business of making loans under this chapter within any office, room, or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, if the commissioner finds that the character of the other business is such that it would facilitate evasions of this chapter or of the rules lawfully made hereunder. The commissioner may promulgate rules dealing with such other businesses.

No licensee shall transact the business or make any loan provided for by this chapter under any other name or at any other place of business than that named in the license. No licensee shall take any confession of judgment or any power of attorney. No licensee shall take any note or promise to pay that does not accurately disclose the principal amount of the loan, the time for which it is made, and the agreed rate or amount of charge, nor any instrument in which blanks are left to be filled in after execution. Nothing herein is deemed to prohibit the making of loans by mail or arranging for settlement and closing of real estate secured loans by an unrelated qualified closing agent at a location other than the licensed location.

History: *(7774-52) 1939 c 12 s 12; 1959 c 573 s 7; 1967 c 261 s 2; 1974 c 412 s 2; 1981 c 258 s 10; 1982 c 547 s 5; 1982 c 642 s 13; 1984 c 576 s 6; 1985 c 248 s 70; 1Sp1985 c 1 s 17; 1986 c 444; 1987 c 349 art 1 s 36; 1992 c 587 art 1 s 24; 1993 c 257 s 37; 1995 c 202 art 1 s 20; 2013 c 135 art 2 s 3*

56.125 OPEN-END LOANS.

Subdivision 1. **Authorization.** A licensee may make open-end loans under this chapter other than loans under an overdraft checking plan and may charge a daily, monthly, or other periodic rate of finance charge on unpaid balances not in excess of the maximum rate of interest permitted by section 56.131, subdivision

1, paragraph (a), under section 47.59, subdivision 3, paragraph (a), clause (1). For purposes of this section "open-end loan" means an agreement whereby: (1) the licensee pursuant to written agreement permits the borrower to obtain advances of money from the licensee from time to time or the licensee advances money on behalf of the borrower from time to time as directed by the borrower; (2) the borrower has the option of paying the balance in full at any time without penalty; (3) the amount of each advance and permitted charges and costs are debited to the borrower's account and payments and other credits are credited to the same account; and (4) the charges are computed on the unpaid principal balance of the account from time to time. A finance charge imposed on a transaction subject to this section must be computed on: (1) the previous balance after deducting all payments on accounts received by the licensee during the cycle and all credits to the account during the cycle applicable to any transaction reflected in the previous balance; (2) the average daily balance determined by adding the daily balances on the account for each day in the billing cycle and dividing the total by the number of days in the billing cycle; or (3) daily balances. The daily balance is figured by taking the beginning balance of the account each day, adding any new advances, subtracting any principal payments or credits, and any unpaid interest. The average daily balance is calculated by adding together all of the daily balances for the billing cycle, and the sum is then divided by the total number of days in the billing cycle. A billing cycle is considered to be monthly if the billing dates are on the same day of each month or do not vary by more than four days from that day. If a licensee makes loans under a credit card plan, it may do so only on the same terms and subject to the same conditions as apply to lenders under section 47.59.

Subd. 2. **Real estate as security.** A licensee may take a lien upon real estate as security for any open-end loan at or after such time as the outstanding balance first exceeds $8,640. A subsequent reduction in the balance below $8,640 has no effect on the lien. A licensee may retain the security interest until it terminates the open-end account. If there is no outstanding balance in the account and there is no commitment by the licensee to a line of credit in excess of $8,640, the licensee shall, within 20 days following written demand by the borrower, deliver to the borrower a release of the mortgage on any real property taken as security for the open-end loan agreement. A real estate mortgage authorized for a financial institution secures all advances and obligations thereunder from the date of recording.

Subd. 3. **Charges.** In addition to the charges authorized in subdivision 1, a licensee may contract for and receive in connection with an open-end loan agreement the additional charges, fees, costs, and expenses with respect to the line of credit limit permitted by sections 47.59, subdivisions 5 and 6, paragraph (a), clause (4); 56.131, subdivisions 2, 5, and 6; and 56.155 with respect to other loans, with the following variations:

(1) If credit life, disability, or involuntary unemployment insurance is provided and if the insured dies, becomes disabled, or becomes involuntarily unemployed when there is an outstanding open-end loan indebtedness, the amount of the insurance may not exceed the total balance of the loan due on the date of the borrower's death or on the date of the last billing statement in the case of credit life insurance, or all minimum payments which become due on the loan during the covered period of disability in the case of credit disability insurance, or during the covered period of involuntary unemployment in the case of credit involuntary unemployment insurance. The additional charge for credit life insurance, credit disability insurance, or credit involuntary unemployment insurance must be calculated in each billing cycle by applying the current monthly premium rate for the insurance to the unpaid balances in the borrower's account.

(2) The amount, terms, and conditions of any credit insurance against loss or damage to property must be reasonable in relation to the character and value of the property insured.

Subd. 4. **Compliance.** Prior to any licensee taking a lien upon the borrower's homestead, as defined in chapter 510, as security for any open-end loan pursuant to subdivision 2, the borrower shall be provided with a statement in substantially the following form, in boldface type of a minimum size of 12 points, signed

and dated by the borrower at the time of the execution of the contract surrendering the homestead exemption, immediately adjacent to a listing of the homestead property: "I understand that some or all of the above real estate is normally protected by law from the claims of creditors, and I voluntarily give up my right to that protection for the above listed property with respect to claims arising out of this contract."

History: *1984 c 473 s 6; 1Sp1985 c 1 s 18; 1993 c 343 s 4; 1995 c 202 art 1 s 21; art 3 s 15,16; 2013 c 135 art 2 s 4*

56.13 [Repealed, 1981 c 258 s 23]

56.131 MAXIMUM RATES AND CHARGES.

Subdivision 1. **Interest rates and charges.** (a) On any loan in a principal amount not exceeding $100,000 or 15 percent of a Minnesota corporate licensee's capital stock and surplus as defined in section 53.015, if greater, a licensee may contract for and receive interest, finance charges, and other charges as provided in section 47.59.

(b) A licensee making a loan that is a consumer small loan, as defined in section 47.60, subdivision 1, paragraph (a), must comply with section 47.60. A licensee making a loan that is a consumer short-term loan, as defined in section 47.601, subdivision 1, paragraph (d), must comply with section 47.601.

(c) With respect to a loan secured by an interest in real estate, and having a maturity of more than 60 months, the original schedule of installment payments must fully amortize the principal and interest on the loan. The original schedule of installment payments for any other loan secured by an interest in real estate must provide for payment amounts that are sufficient to pay all interest scheduled to be due on the loan.

(d) A licensee may contract for and collect a delinquency charge as provided for in section 47.59, subdivision 6, paragraph (a), clause (4).

(e) A licensee may grant extensions, deferments, or conversions to interest-bearing as provided in section 47.59, subdivision 5.

Subd. 2. **Additional charges.** In addition to the charges provided for by this section and section 56.155, and notwithstanding section 47.59, subdivision 6, to the contrary, no further or other amount whatsoever, shall be directly or indirectly charged, contracted for, or received for the loan made, except actual out of pocket expenses of the licensee to realize on a security after default, and except for the following additional charges which may be included in the principal amount of the loan:

(a) lawful fees and taxes paid to any public officer to record, file, or release security;

(b) with respect to a loan secured by an interest in real estate, the following closing costs, if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section; provided the costs do not exceed one percent of the principal amount or $800, whichever is greater:

(1) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;

(2) fees, if not paid to the licensee, an employee of the licensee, or a person related to the licensee, for preparation of a mortgage, settlement statement, or other documents, fees for notarizing mortgages and other documents, and appraisal fees;

(c) the premium for insurance in lieu of perfecting and releasing a security interest to the extent that the premium does not exceed the fees described in paragraph (a);

(d) discount points and appraisal fees may not be included in the principal amount of a loan secured by an interest in real estate when the loan is a refinancing for the purpose of bringing the refinanced loan current and is made within 24 months of the original date of the refinanced loan. For purposes of this paragraph, a refinancing is not considered to be for the purpose of bringing the refinanced loan current if new funds advanced to the customer, not including closing costs or delinquent installments, exceed $2,000; and

(e) the onetime loan administrative fee in section 47.59, subdivision 6, paragraph (d).

Subd. 3. **Splitting.** No licensee shall induce or permit any borrower to split up or divide any loan or permit any person to become obligated under more than one contract of loan for the same purpose or at the same time for the purpose or with the result of obtaining a higher rate of charge than would otherwise be permitted by this section. However, if a person becomes obligated on a contract of loan as an accommodation party, a preceding or subsequent loan to that person is not a violation of this subdivision nor shall such loans be aggregated in determining the applicable rate of charge.

Subd. 4. **Adjustment of dollar amounts.** The dollar amounts in subdivisions 2 and 6, sections 56.12 and 56.125 shall change periodically, as provided in section 47.59, subdivision 3.

Subd. 5. **Attorney's fees.** No term of writing may provide for the payment by the debtor of attorney's fees, except for lawful fees to be paid to an attorney in connection with the foreclosure of a real estate mortgage.

Subd. 6. **Discount points.** A loan made under this section that is secured by real estate and that is in a principal amount of $24,000 or more and has a maturity of 60 months or more may contain a provision permitting discount points, if the loan does not provide a loan yield in excess of the maximum rate of interest permitted by this section. Loan yield means the annual rate of return obtained by a licensee computed as the annual percentage rate is computed under Federal Regulation Z. If the loan is prepaid in full, the licensee must make a refund to the borrower to the extent that the loan yield will exceed the maximum rate of interest provided by this section when the prepayment is taken into account. Discount points permitted by this subdivision and not collected but included in the principal amount must not be included in the amount on which credit insurance premiums are calculated and charged.

History: *1981 c 258 s 11; 1Sp1981 c 4 art 4 s 12; 1982 c 473 s 25; 1982 c 547 s 6,7; 1983 c 250 s 27; 1983 c 252 s 10,11; 1984 c 473 s 7; 1Sp1985 c 1 s 19-21; 1986 c 444; 1989 c 166 s 26; 1989 c 217 s 19; 1990 c 464 s 2,3; 1992 c 587 art 1 s 25; 1993 c 257 s 38; 1995 c 202 art 1 s 22,23; art 3 s 17,18; 1996 c 414 art 1 s 27; art 2 s 9,10; 1997 c 157 s 50,51; 1999 c 151 s 33; 2000 c 427 s 9; 2013 c 135 art 2 s 5,6; 2014 c 222 art 1 s 7; 2023 c 57 art 3 s 62*

56.132 INSTALLMENT SALES CONTRACTS.

A person may enter into a credit sale or service contract for sale to a licensee under this chapter doing business in this state, and a licensee may purchase and enforce the contract under the terms and conditions set forth in section 47.59, subdivisions 2 and 4 to 14.

History: *1993 c 257 s 41; 1995 c 202 art 3 s 19*

56.14 DUTIES OF LICENSEE.

Every licensee shall:

(1) deliver to the borrower (or if there are two or more borrowers to one of them) at the time any loan is made a statement making the disclosures and furnishing the information required by the federal

Truth-in-Lending Act, United States Code, title 15, sections 1601 to 1667e, as amended from time to time, with respect to the contract of loan. A copy of the loan contract may be delivered in lieu of a statement if it discloses the required information;

(2) deliver or mail to the borrower without request, a written receipt within 30 days following payment for each payment by coin or currency made on account of any loan wherein charges are computed and paid on unpaid principal balances for the time actually outstanding, specifying the amount applied to charges and the amount, if any, applied to principal, and stating the unpaid principal balance, if any, of the loan; and wherein precomputed charges have been added to the principal of the loan specifying the amount of the payment applied to principal and charges combined, the amount applied to default or extension charges, if any, and stating the unpaid balance, if any, of the precomputed loan contract. A periodic statement showing a payment received by mail complies with this clause;

(3) permit payment to be made in advance in any amount on any contract of loan at any time, but the licensee may apply the payment first to all charges in full at the agreed rate up to the date of the payment;

(4) upon repayment of the loan in full, mark indelibly every obligation and security, other than a mortgage or security agreement which secures a new loan to the licensee, signed by the borrower with the word "Paid" or "Canceled," and release any mortgage or security agreement which no longer secures a loan to the licensee, restore any pledge, and cancel and return any note, and any assignment given to the licensee which does not secure a new loan to the licensee within 20 days after the repayment. For purposes of this requirement, the document including actual evidence of an obligation or security may be maintained, stored, and retrieved in a form or format acceptable to the commissioner under section 46.04, subdivision 3;

(5) display prominently in each licensed place of business a full and accurate schedule, to be approved by the commissioner, of the charges to be made and the method of computing the same; furnish a copy of the contract of loan to any person obligated on it or who may become obligated on it at any time upon the request of that person;

(6) show in the loan contract or statement of loan the rate or rates of charge on which the charge in the contract is based, expressed in terms of rate or rates per annum. The rate expression shall be printed in at least 8-point type on the loan statement or copy of the loan contract given to the borrower.

History: *(7774-54) 1939 c 12 s 14; 1959 c 573 s 9; 1967 c 261 s 4; 1981 c 258 s 12; 1982 c 473 s 26; 1983 c 252 s 12; 1990 c 464 s 4; 1995 c 202 art 2 s 22; 1996 c 414 art 1 s 28; 2014 c 222 art 1 s 8*

56.15 CHARGES.

Subdivision 1. **Limitation.** No licensee shall directly or indirectly, charge, contract for, or receive any interest, discount, charges, or consideration greater than the lender would be permitted by law to charge if the lender were not a licensee hereunder upon the loan, use or forbearance of money, goods, or things in action, or upon the loan, use or sale of credit, of the amount or value of more than that regulated by this chapter. The foregoing prohibition shall also apply to any licensee who permits any person, as borrower, or otherwise, to owe, directly or contingently, or both, to the licensee at any time a sum of more than that regulated by this chapter for principal.

Subd. 2. [Repealed, 1981 c 258 s 23]

History: *(7774-55) 1939 c 12 s 15; 1959 c 573 s 10; 1963 c 117 s 1; 1967 c 261 s 5; 1974 c 412 s 5; 1977 c 382 s 2; 1981 c 258 s 13; 1986 c 444*

56.155 INSURANCE IN CONNECTION WITH LOAN.

Subdivision 1. **Authorization.** Notwithstanding section 47.59 to the contrary, no licensee shall, directly or indirectly, sell or offer for sale any insurance in connection with any loan made under this chapter except as and to the extent authorized by this section. The sale of credit life, credit accident and health, and credit involuntary unemployment insurance is subject to the provisions of chapter 62B, except that the term of the insurance may exceed 60 months if the term of the loan exceeds 60 months. Life, accident, health, and involuntary unemployment insurance, or any of them, may be written upon or in connection with any loan but must not be required as additional security for the indebtedness. If the debtor chooses to procure credit life insurance, credit accident and health insurance, or credit involuntary unemployment insurance as security for the indebtedness, the debtor shall have the option of furnishing this security through existing policies of insurance that the debtor owns or controls, or of furnishing the coverage through any insurer authorized to transact business in this state. A statement in substantially the following form must be made orally, except for loans by mail pursuant to section 56.12, and provided in writing in boldface type of a minimum size of 12 points to the borrower before the transaction is completed for each credit life, accident and health, and involuntary unemployment insurance coverage sold:

CREDIT LIFE INSURANCE, CREDIT DISABILITY INSURANCE, AND CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE ARE NOT REQUIRED TO OBTAIN CREDIT. YOU MAY BUY ANY INSURANCE FROM ANYONE YOU CHOOSE OR YOU MAY USE EXISTING INSURANCE.

The licensee shall disclose whether or not the benefits commence as of the first day of disability or involuntary unemployment and shall further disclose the number of days that an insured obligor must be disabled or involuntarily unemployed, as defined in the policy, before benefits, whether retroactive or nonretroactive, commence. In case there are multiple obligors under a transaction subject to this chapter, no policy or certificate of insurance providing credit accident and health, credit life insurance, or credit unemployment benefits may be procured by or through a licensee upon more than two of the obligors in which case they shall be insured jointly or in the case of credit unemployment benefits on a basis provided for in rules adopted by the commissioner. The premium or identifiable charge for the insurance must not exceed that filed by the insurer with the Department of Commerce. The charge, computed at the time the loan is made for a period not to exceed the full term of the loan contract on an amount not to exceed the total amount required to pay principal and charges, may be deducted from the proceeds or may be included as part of the principal of any loan. If a borrower procures insurance by or through a licensee, the statement required by section 56.14 must disclose the cost to the borrower and the type of insurance, and the licensee shall cause to be delivered to the borrower a copy of the policy, certificate, or other evidence thereof, within a reasonable time. No licensee shall decline new or existing insurance which meets the standards set out in this section nor prevent any obligor from obtaining this insurance coverage from other sources. Notwithstanding any other provision of this chapter, any gain or advantage to the licensee or to any employee, affiliate, or associate of the licensee from this insurance or the sale or provision thereof is not an additional or further charge in connection with the loan; nor are any of the provisions pertaining to insurance contained in this section prohibited by any other provision of this chapter.

Subd. 2. **Property insurance.** A licensee may require the obligors to provide insurance on real or personal property security against reasonable risks of loss, damage, and destruction. The amount and term of the insurance shall be reasonable in relation to the value of the security and shall not exceed the principal amount of the loan less any existing insurance, including homeowner's insurance as defined by section 65A.27, subdivision 4, on the secured property as to which the lender has been provided a loss payable clause, except that the lender may insure or arrange for insurance not to exceed the reasonable value of any motor vehicle collateral less any existing insurance on the motor vehicle as to which the lender has been

provided a loss payable clause. The term of the insurance shall also be reasonable in relation to the value of the security and shall not exceed the term of the loan. The restrictions contained in this subdivision shall not apply to the sale or provision of homeowner's insurance as defined in section 65A.27. In all cases when insurance is offered the obligor shall be informed that the obligor has the option of providing insurance through existing policies of insurance that the obligor owns or controls, or by procuring and furnishing the offered coverage through any insurer authorized to transact an insurance business within this state. The purchase of such insurance through the licensee or from an agent, broker, or insurer specified by the licensee shall not be required.

History: *1981 c 258 s 14; 1982 c 547 s 8; 1983 c 250 s 28; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92; 1986 c 444; 1989 c 166 s 27; 1993 c 257 s 42; 1993 c 343 s 5; 1994 c 382 s 12; 1995 c 202 art 2 s 23; art 3 s 20*

56.16 OVERAGES DEEMED INTEREST.

The payment of money, credit, goods, or things in action, as consideration for any sale or assignment of, or order for, the payment of wages, salary, commissions, or other compensation for services, whether earned or to be earned, shall, for the purposes of regulation under this chapter, be deemed a loan secured by the assignment, and the amount by which the assigned compensation exceeds the amount of the consideration actually paid shall, for the purposes of regulation under this chapter, be deemed interest or charges upon the loan from the date of the payment to the date the compensation is payable. This transaction shall be governed by, and subject to, the provisions of this chapter.

History: *(7774-56) 1939 c 12 s 16; 1959 c 573 s 11; 1967 c 261 s 6; 1974 c 412 s 6; 1981 c 258 s 15*

56.17 LIMITATION; ASSIGNMENT OF WAGES; SECURITY AGREEMENT.

No assignment of, or order for payment of, any salary, wages, commissions, or other compensation for services earned or to be earned, given to secure any loan made by any licensee under this chapter, shall be valid unless the principal amount of the loan is paid to the borrower simultaneously with its execution; nor shall any assignment or order, or any security agreement or other lien on household furniture then in the possession and use of the borrower, be valid unless it is in writing, signed in person by the borrower. If the borrower is married, an assignment, order, security agreement, or other lien is not valid without the spouse's written consent, if the spouse's consent would be necessary under applicable law to make the property offered as security available to satisfy the debt in the event of default.

Under any assignment or order for the payment of future salary, wages, commissions, or other compensation for services, given as security for a loan made by any licensee under this chapter, a sum not to exceed ten percent of the borrower's salary, wages, commissions, or other compensation for services shall be collectible from the employer of the borrower by the licensee at the time for each payment to the borrower of salary, wages, commissions, or other compensation for services, from the time that a copy of the assignment, verified by the oath of the licensee or the licensee's agent, together with a similarly verified statement of the amount unpaid upon the loan and a printed copy of this section is served upon the employer; provided, that this section shall not be construed as giving the assignee any greater rights than those under section 181.05.

This section shall control, with respect to licensees, notwithstanding anything in section 47.59, subdivision 12, paragraph (c), to the contrary.

History: *(7774-57) 1939 c 12 s 17; 1981 c 258 s 16; 1986 c 444; 1995 c 202 art 1 s 24*

56.18 UNLICENSED PERSONS NOT TO MAKE LOANS.

No person, except as authorized in this chapter, shall, directly or indirectly, charge, contract for, or receive any interest, discount, or consideration greater than the lender would be permitted by law to charge if that person were not authorized hereunder upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit of the amount regulated by this chapter.

The foregoing prohibition shall apply to any person who, by any device, subterfuge, or pretense, shall charge, contract for, or receive greater interest, consideration, or charges than is authorized by this chapter for any such loan, use or forbearance of money, goods, or things in action, or for any such loan, use or sale of credit.

No loan made by a person not authorized hereunder in an amount regulated by this chapter for which a greater rate of interest, consideration, or charges than is permitted by the laws of this state has been charged, contracted for, or received, wherever made, shall be enforced by a licensee in this state, and every person in anywise participating therein in this state shall be subject to the provisions of this chapter, provided, that the foregoing shall not apply to loans legally made in another state.

History: *(7774-58) 1939 c 12 s 18; 1959 c 573 s 12; 1967 c 261 s 7; 1974 c 412 s 7; 1981 c 258 s 17; 1986 c 444*

56.19 VIOLATION.

Subdivision 1. **Criminal penalty.** Any person or the several members, officers, directors, agents, and employees thereof, who violates or participates in the violation of any of the provisions of sections 56.01 and 56.18 is guilty of a gross misdemeanor.

Subd. 2. [Repealed, 1983 c 252 s 16]

Subd. 2a. **Penalty for intentional violations.** Any lender intentionally violating this chapter, when the violation does not also constitute a violation of any other provision of state or federal law for which there is a remedy, shall be liable to the consumer in an amount not to exceed $100 for each violation.

Subd. 3. **Unlicensed lenders.** If a person has violated this chapter by not obtaining a license when required to make loans subject to this chapter, the loan is void and the debtor is not obligated to pay any amounts owing. The debtor may recover from such persons all amounts paid. No action may be brought under this subdivision more than one year after the date of the last scheduled payment on the loan.

Subd. 4. **Remedies exclusive.** The remedies set forth in this section and section 48.196 are exclusive. A violation of this chapter does not impair rights on a debt.

History: *(7774-59) 1939 c 12 s 19; 1981 c 258 s 18; 1Sp1981 c 4 art 4 s 13; 1983 c 252 s 13; 1Sp1985 c 1 s 22,23*

56.20 [Repealed, 1981 c 258 s 23]

56.21 RULES OF COMMISSIONER.

The commissioner of commerce is hereby authorized and empowered to make general rules and specific rulings, demands, and findings for the enforcement of this chapter, in addition hereto and not inconsistent herewith.

History: *(7774-61) 1939 c 12 s 21; 1983 c 289 s 114 subd 1; 1984 c 655 art 1 s 92; 1985 c 248 s 70*

56.22 MODIFICATION OF LAW NOT TO AFFECT CONTRACTS.

This chapter, or any part thereof, may be modified, amended, or repealed so as to effect a cancellation or alteration of any license or right of a licensee hereunder; provided, that such cancellation or alteration shall not impair or affect the obligation of any preexisting lawful contract between any licensee and any borrower.

History: *(7774-62) 1939 c 12 s 22*

56.23 APPEALS.

Any applicant or licensee may appeal from any decision or order of the commissioner to the court of appeals in accordance with chapter 14.

History: *(7774-63) 1939 c 12 s 23; 1983 c 247 s 27*

56.24 EXISTING CONTRACTS VALID.

Nothing herein contained shall be so construed as to impair or affect the obligation of any contract of loan, which was lawfully entered into prior to June 1, 1939.

History: *(7774-64) 1913 c 439 s 1,2; 1915 c 117 s 1; 1939 c 12 s 24*

56.25 LICENSEE TO BE RESPONSIBLE.

The licensee hereunder shall, at all times, be beholden and liable to the commissioner for all acts and proceedings taken by assignees, assigns, endorsees, and transferees in enforcing, and as to the method of enforcing, collection of any obligation taken hereunder, as fully and to the same extent as though the same were taken by the licensee hereunder.

History: *(7774-65) 1939 c 12 s 25; 1986 c 444*

56.26 CONTINUATION OF LICENSING.

All persons licensed under the provisions of this chapter on August 1, 1981 are licensed to make loans regulated by Laws 1981, chapter 258, and the commissioner shall, upon request, within 90 days deliver evidence of licensing to the requester.

History: *(7774-60a) 1939 c 22 s 1; 1981 c 258 s 19*