

# State of South Dakota

NINETIETH SESSION  
LEGISLATIVE ASSEMBLY, 2015

400W0244

## HOUSE ENGROSSED NO. **HB 1027** - 01/27/2015

Introduced by: The Committee on Commerce and Energy at the request of the Department  
of Labor and Regulation

1 FOR AN ACT ENTITLED, An Act to revise certain provisions regarding the regulation of  
2 certain money lending activities.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That § 54-4-36 be amended to read as follows:

5 54-4-36. Terms used in this chapter mean:

6 (1) "Advertisement," a commercial message in any medium that aids, promotes, or  
7 assists, directly or indirectly, the sale of products or services;

8 (2) "Business of lending money," includes originating, selling, servicing, acquiring, or  
9 purchasing loans, or servicing, acquiring, or purchasing retail installment contracts;

10 (3) "Commission," the State Banking Commission;

11 ~~(3)~~(4) "Director," the director of the Division of Banking of the Department of Labor and  
12 Regulation;

13 ~~(4)~~(5) "Division," the Division of Banking;

14 (6) "Duration," the time a loan exists before it is paid off, renewed, rolled over, or  
15 flipped;



1       ~~(5)~~(7) "Finance charge," the amount, however denominated, which is the direct or indirect  
2                   cost payable by a borrower for a loan;

3       ~~(6)~~ "Financing institutions," any person engaged in the business of creating and holding  
4                   or purchasing or acquiring retail installment contracts;

5       ~~(7)~~(8) "Installment loan," a loan made to be repaid in specified amounts over a certain  
6                   number of months;

7       ~~(8)~~(9) "License," a license provided by this chapter;

8       ~~(9)~~(10)        "Installment loan contract" or "contract," an agreement evidencing a  
9                   installment loan transaction;

10       ~~(10)~~(11)       "Licensee," any person holding a license;

11       ~~(11)~~(12)       "Loan," any installment loan, single pay loan, or open-end loan which may be  
12                   unsecured or secured by real or personal property;

13       (13)   "Nationwide mortgage licensing system and registry," a licensing system developed  
14                   and maintained by the Conference of State Bank Supervisors and the American  
15                   Association of Residential Mortgage Regulators for the licensing and registration of  
16                   licensed mortgage loan originators and other regulated entities;

17       ~~(12)~~(14)       "Payday loan," any short-maturity loan on the security of a check, any  
18                   assignment of an interest in the account of a person at a depository institution,  
19                   any authorization to debit the person's deposit account, any assignment of  
20                   salary or wages payable to a person. A short-maturity loan made in  
21                   anticipation of an income tax refund is not a payday loan for purposes of this  
22                   chapter;

23       ~~(13)~~(15)       "Regional revolving loan fund," a regional revolving loan fund with a service  
24                   area of at least five South Dakota counties, a designated staff for loan

1 processing and servicing, a loan portfolio of at least one million dollars, and  
2 which is governed by a board of directors that meets at least quarterly;

3 ~~(14)~~(16) "Short-term consumer loan," any loan to any individual borrower with a  
4 duration of six months or less, including a payday loan. A title loan is not a  
5 short-term consumer loan for purposes of this chapter;

6 ~~(15)~~(17) "Title lender," a regulated lender authorized pursuant to this chapter to make  
7 title loans; ~~and~~

8 ~~(16)~~(18) "Title loan," a loan for a debtor that is secured by a nonpurchase money  
9 security interest in a motor vehicle and that is scheduled to be repaid in a  
10 single installment.

11 Section 2. That § 54-4-40 be amended to read as follows:

12 54-4-40. Any person who engages in the business of lending money shall apply for a license  
13 as prescribed by this chapter. The applicant shall apply for a license under oath on forms  
14 supplied by the division. The application shall contain the name of the applicant's business,  
15 proof of surety bond, address of the business, the names and addresses of the partners, members,  
16 officers, directors, or trustees, and other information the director may consider necessary. The  
17 applicant shall pay an original license fee, as set by rules of the commission promulgated  
18 pursuant to chapter 1-26, not to exceed one thousand dollars. If the application of an existing  
19 licensee is for an additional location, the application need only include the location and identity  
20 of the location manager, plus any changes from the existing license, or such other information  
21 the director may consider necessary. Any person may be licensed and maintain a unique  
22 identifier through the nationwide mortgage licensing system and registry.

23 The State of South Dakota, any political subdivision of the state, and any quasi-  
24 governmental organization created by an executive order of the State of South Dakota and any

1 subsidiary of such organization; any nonprofit corporation formed pursuant to the provisions  
2 of chapter 47-22; any nonprofit United States Treasury Community Development Financial  
3 Institution, Small Business Administration Certified Development Company, or Regional  
4 Revolving Loan Fund; or any commercial club, chamber of commerce, or industrial  
5 development corporation formed pursuant to the provisions of § 9-12-11 or 9-27-37 is subject  
6 to this chapter but exempt from initial license fees, renewal fees, and surety bond requirements  
7 ~~under~~ pursuant to the provisions of this chapter.

8 Section 3. That § 54-4-45 be amended to read as follows:

9 54-4-45. A license expires on ~~July first~~ December thirty-first. To renew a license, the  
10 licensee shall file for renewal by ~~June fifteenth~~ December first. The renewal application shall  
11 include a renewal fee not to exceed one thousand dollars, as set by rules of the commission  
12 promulgated pursuant to chapter 1-26, proof of surety bond, and any other information as  
13 required by the director, by rule or order. Any licensee that files for renewal after ~~June fifteenth~~  
14 December first and before ~~July first~~ January first of the next calendar year shall pay a late fee  
15 in addition to the renewal fee. The late fee, ~~not to exceed~~ shall equal twenty-five percent of the  
16 renewal fee, ~~shall be established by the commission in rules promulgated pursuant to chapter~~  
17 ~~1-26~~. After ~~June thirtieth~~ December thirty-first, no license may be issued unless an application  
18 is filed pursuant to § 54-4-40.

19 Any money lending license issued pursuant to chapter 54-4 that is set to expire on July 1,  
20 2015, is extended until December 31, 2015.

21 Section 4. That § 54-4-49 be amended to read as follows:

22 54-4-49. The director may condition, deny, decline to renew, suspend for a period not to  
23 exceed six months, or revoke a license for good cause pursuant to chapters 1-26 and 1-26D. If  
24 the licensee is the holder of more than one license, the director may condition, deny, decline to

1 renew, suspend for a period not to exceed six months, or revoke any or all of the licenses. For  
2 purposes of this section, good cause includes any of the following:

3 (1) Violation of any statute, rule, order, or written condition of the commission or any  
4 federal statute, rule, or regulation pertaining to consumer credit;

5 (2) Engaging in harassment or abuse, the making of false or misleading representations,  
6 or engaging in unfair practices involving lending activity; ~~or~~

7 (3) Performing an act of commission or omission or practice that is a breach of trust or  
8 a breach of fiduciary duty;

9 (4) Refusing to permit the director to make any examination authorized by this chapter  
10 or rule promulgated pursuant to this chapter, or any federal statute, rule, or regulation  
11 pertaining to money lending;

12 (5) The licensee or any partner, officer, director, manager, or employee of the licensee  
13 has been convicted of a felony or a misdemeanor involving fraud, dishonesty, or  
14 breach of trust;

15 (6) The licensee or any partner, officer, director, manager, or employee of the licensee  
16 has had a license substantially equivalent to a license under this chapter, and issued  
17 by another state or jurisdiction, denied, revoked, or suspended under the laws of that  
18 state or jurisdiction; or

19 (7) The licensee has filed an application for a license which, as of the date the license  
20 was issued, or as of the date of an order denying, suspending, or revoking a license,  
21 was incomplete in any material respect or contained any statement that was, in light  
22 of the circumstances under which it was made, false or misleading with respect to  
23 any material fact.

24 Section 5. That chapter 54-4 be amended by adding thereto a NEW SECTION to read as

1 follows:

2 Any loan made in South Dakota after June 30, 2015, to a resident of South Dakota, by an  
3 entity organized to engage in the business of lending money not licensed or exempt from  
4 licensure pursuant to chapter 54-4 is unenforceable and uncollectible except as to any principal  
5 extended by the entity to the borrower.

6 Section 6. That chapter 54-4 be amended by adding thereto a NEW SECTION to read as  
7 follows:

8 No person employed by a licensee to collect or attempt to collect any debt owed or due or  
9 asserted to be owed or due may:

- 10 (1) Harass, oppress, or abuse a borrower by:
  - 11 (a) Using any threat of violence or harm;
  - 12 (b) Publishing a list of names of borrowers who refuse to pay their debts absent  
13 providing such information to credit reporting companies;
  - 14 (c) Using obscene or profane language; or
  - 15 (d) Repeatedly using the phone with the intent to annoy borrowers;
- 16 (2) Use any false statement when attempting to collect a debt by falsely:
  - 17 (a) Claiming to be an attorney or government representative;
  - 18 (b) Claiming that the borrower has committed a crime;
  - 19 (c) Representing that the licensee operates or any person employed by the licensee  
20 works for a credit reporting company;
  - 21 (d) Representing the amount the borrower owes;
  - 22 (e) Representing the nature and character of any forms sent to the borrower in  
23 order to collect a debt;
  - 24 (f) Indicating that the borrower will be arrested if the debt isn't paid;

- 1 (g) Using a company name;
- 2 (h) Indicating that the licensee will seize, garnish, attach, or sell a borrower's
- 3 property or wages unless the licensee is permitted by law to take the action and
- 4 the licensee intends to do so;
- 5 (i) Indicating that legal action will be taken against the borrower, if doing so
- 6 would be illegal or if the licensee does not intend to take the action;
- 7 (3) Give false credit information about the borrower to anyone, including a credit
- 8 reporting company;
- 9 (4) Attempt to collect any interest, fee, or other charge on top of the amount a borrower
- 10 owes unless the contract that created the debt or state law allows the charge;
- 11 (5) Deposit a post-dated check early; or
- 12 (6) Take or threaten to take the borrower's property unless it can be done legally.

13 Section 7. That chapter 54-4 be amended by adding thereto a NEW SECTION to read as  
14 follows:

15 The director may use the nationwide mortgage licensing system and registry as a channeling  
16 agent for requesting and distributing information to and from other state and federal regulatory  
17 officials or agencies with money lending industry oversight authority, as deemed necessary by  
18 the director to carry out the responsibilities of this chapter.

19 Section 8. That chapter 54-4 be amended by adding thereto a NEW SECTION to read as  
20 follows:

21 The director may establish relationships or contracts with the nationwide mortgage licensing  
22 system and registry or other entity designated by the nationwide mortgage licensing system and  
23 registry to collect and maintain records and process a transaction fee or other fee related to any  
24 licensee or other person subject to the provisions of this chapter.

1 Section 9. That chapter 54-4 be amended by adding thereto a NEW SECTION to read as  
2 follows:

3 The following provisions apply to the sharing of information collected and retained by the  
4 director during the administration of this chapter:

5 (1) The provisions of § 51A-2-35 regarding privacy or confidentiality apply to any  
6 information or material provided to the nationwide mortgage licensing system and  
7 registry, and any privilege arising under federal or state law, including a rule of any  
8 federal or state court, with respect to the information or material, continue to apply  
9 to the information or material after the information or material has been disclosed to  
10 the nationwide mortgage licensing system and registry. The information and material  
11 may be shared with all state and federal regulatory officials with money lending  
12 industry oversight authority without the loss of privilege or the loss of confidentiality  
13 protections pursuant to the provisions of federal law or § 51A-2-35;

14 (2) No information or material that is subject to a privilege or confidentiality pursuant  
15 to this section is subject to:

16 (a) Disclosure under any federal or state law governing the disclosure to the  
17 public of information held by an officer or an agency of the federal  
18 government or the respective state; or

19 (b) Subpoena or discovery, or admission into evidence, in any private civil action  
20 or administrative process, unless with respect to any privilege held by the  
21 nationwide mortgage licensing system and registry regarding the information  
22 or material is waived, in whole or in part, by the person to whom the  
23 information or material pertains.

24 This section does not apply with respect to the information or material relating to the



1 employment history of, and publicly adjudicated disciplinary and enforcement actions against,  
2 any licensee that is included in the nationwide mortgage licensing system and registry for access  
3 by the public.