

LEGISLATURE OF NEBRASKA
ONE HUNDRED SECOND LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 77
Final Reading

Introduced by Pahls, 31.

Read first time January 06, 2011

Committee: Banking, Commerce and Insurance

A BILL

1 FOR AN ACT relating to installment sales and loans; to amend sections
2 45-335, 45-336, 45-1002, and 45-1024, Reissue Revised
3 Statutes of Nebraska; to change provisions relating to
4 debt cancellation contracts and debt suspension
5 contracts; to repeal the original sections; and to
6 declare an emergency.
7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 45-335, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 45-335 For purposes of the Nebraska Installment Sales
4 Act, unless the context otherwise requires:

5 (1) Goods means all personal property, except money or
6 things in action, and includes goods which, at the time of sale or
7 subsequently, are so affixed to realty as to become part thereof
8 whether or not severable therefrom;

9 (2) Services means work, labor, and services of any kind
10 performed in conjunction with an installment sale but does not
11 include services for which the prices charged are required by law to
12 be established and regulated by the government of the United States
13 or any state;

14 (3) Buyer means a person who buys goods or obtains
15 services from a seller in an installment sale;

16 (4) Seller means a person who sells goods or furnishes
17 services to a buyer under an installment sale;

18 (5) Installment sale means any transaction, whether or
19 not involving the creation or retention of a security interest, in
20 which a buyer acquires goods or services from a seller pursuant to an
21 agreement which provides for a time-price differential and under
22 which the buyer agrees to pay all or part of the time-sale price in
23 one or more installments and within one hundred forty-five months,
24 except that installment contracts for the purchase of mobile homes
25 may exceed such one-hundred-forty-five-month limitation. Installment

1 sale does not include a consumer rental purchase agreement defined in
2 and regulated by the Consumer Rental Purchase Agreement Act;

3 (6) Installment contract means an agreement entered into
4 in this state evidencing an installment sale except those otherwise
5 provided for in separate acts;

6 (7) Cash price or cash sale price means the price stated
7 in an installment contract for which the seller would have sold or
8 furnished to the buyer and the buyer would have bought or acquired
9 from the seller goods or services which are the subject matter of the
10 contract if such sale had been a sale for cash instead of an
11 installment sale. It may include the cash price of accessories or
12 services related to the sale such as delivery, installation,
13 alterations, modifications, and improvements and may include taxes to
14 the extent imposed on the cash sale;

15 (8) Basic time price means the cash sale price of the
16 goods or services which are the subject matter of an installment
17 contract plus the amount included therein, if a separate identified
18 charge is made therefor and stated in the contract, for insurance,
19 registration, certificate of title, debt cancellation contract, debt
20 suspension contract, electronic title and lien services, guaranteed
21 asset protection waiver, and license fees, filing fees, an
22 origination fee, and fees and charges prescribed by law which
23 actually are or will be paid to public officials for determining the
24 existence of or for perfecting, releasing, or satisfying any security
25 related to the credit transaction or any charge for nonfiling

1 insurance if such charge does not exceed the amount of fees and
2 charges prescribed by law which would have been paid to public
3 officials for filing, perfecting, releasing, and satisfying any
4 security related to the credit transaction and less the amount of the
5 buyer's downpayment in money or goods or both;

6 (9) Time-price differential, however denominated or
7 expressed, means the amount, as limited in the Nebraska Installment
8 Sales Act, to be added to the basic time price;

9 (10) Time-sale price means the total of the basic time
10 price of the goods or services, the amount of the buyer's downpayment
11 in money or goods or both, and the time-price differential;

12 (11) Sales finance company means a person purchasing one
13 or more installment contracts from one or more sellers. Sales finance
14 company includes, but is not limited to, a financial institution or
15 installment loan licensee, if so engaged;

16 (12) Director means the Director of Banking and Finance;

17 (13) Financial institution has the same meaning as in
18 section 8-101;

19 (14) Debt cancellation contract means a loan term or
20 contractual arrangement modifying loan terms under which a financial
21 institution or licensee agrees to cancel all or part of a buyer's
22 obligation to repay an extension of credit from the financial
23 institution or licensee upon the occurrence of a specified event. The
24 debt cancellation contract may be separate from or a part of other
25 loan documents. The term debt cancellation contract does not include

1 loan payment deferral arrangements in which the triggering event is
2 the buyer's unilateral election to defer repayment or the financial
3 institution's or licensee's unilateral decision to allow a deferral
4 of repayment;

5 (15) Debt suspension contract means a loan term or
6 contractual arrangement modifying loan terms under which a financial
7 institution or licensee agrees to suspend all or part of a buyer's
8 obligation to repay an extension of credit from the financial
9 institution or licensee upon the occurrence of a specified event. The
10 debt suspension contract may be separate from or a part of other loan
11 documents. The term debt suspension contract does not include loan
12 payment deferral arrangements in which the triggering event is the
13 buyer's unilateral election to defer repayment or the financial
14 institution's or licensee's unilateral decision to allow a deferral
15 of repayment; ~~and~~

16 (16) Guaranteed asset protection waiver means a waiver
17 that is offered, sold, or provided in accordance with the Guaranteed
18 Asset Protection Waiver Act; and -

19 (17) Licensee means any person who obtains a license
20 under the Nebraska Installment Sales Act.

21 Sec. 2. Section 45-336, Reissue Revised Statutes of
22 Nebraska, is amended to read:

23 45-336 (1) Each retail installment contract shall be in
24 writing, shall be signed by both the buyer and the seller, and shall
25 contain the following items and a copy thereof shall be delivered to

1 the buyer at the time the instrument is signed, except for contracts
2 made in conformance with section 45-340: (a) The cash sale price; (b)
3 the amount of the buyer's downpayment, and whether made in money or
4 goods, or partly in money and partly in goods, including a brief
5 description of any goods traded in; (c) the difference between
6 subdivisions (a) and (b) of this subsection; (d) the amount included
7 for insurance if a separate charge is made therefor, specifying the
8 types of coverages; (e) the amount included for a debt cancellation
9 contract or a debt suspension contract if the debt cancellation
10 contract or debt suspension contract is a contract of a financial
11 institution or licensee, such contract is sold directly by such
12 financial institution or licensee or by an unaffiliated, nonexclusive
13 agent of such financial institution or licensee in accordance with 12
14 C.F.R. part 37, as such part existed on January 1, ~~2006,~~2011, and
15 the financial institution or licensee is responsible for the
16 unaffiliated, nonexclusive agent's compliance with such part, and a
17 separate charge is made therefor; (f) the amount included for
18 electronic title and lien services other than fees and charges
19 prescribed by law which actually are or will be paid to public
20 officials for determining the existence of or for perfecting,
21 releasing, or satisfying any security related to the credit
22 transaction; ~~(f)~~~~(g)~~ the basic time price, which is the sum of
23 subdivisions (c), ~~and~~(d), (e), and (f) of this subsection; ~~(g)~~~~(h)~~
24 the time-price differential; ~~(h)~~~~(i)~~ the amount of the time-price
25 balance, which is the sum of subdivisions ~~(f)~~~~(g)~~ and ~~(g)~~~~(h)~~ of this

1 subsection, payable in installments by the buyer to the seller; ~~(i)~~
2 (j) the number, amount, and due date or period of each installment;
3 ~~(j)~~-(k) the time-sales price; and ~~(k)~~-(l) the amount included for a
4 guaranteed asset protection waiver.

5 (2) The contract shall contain substantially the
6 following notice: NOTICE TO THE BUYER. DO NOT SIGN THIS CONTRACT
7 BEFORE YOU READ IT OR IF IT CONTAINS BLANK SPACES. YOU ARE ENTITLED
8 TO A COPY OF THE CONTRACT YOU SIGN.

9 (3) The items listed in subsection (1) of this section
10 need not be stated in the sequence or order set forth in such
11 subsection. Additional items may be included to explain the
12 computations made in determining the amount to be paid by the buyer.
13 No installment contract shall be signed by the buyer or proffered by
14 seller when it contains blank spaces to be filled in after execution,
15 except that if delivery of the goods or services is not made at the
16 time of the execution of the contract, the identifying numbers or
17 marks of the goods, or similar information, and the due date of the
18 first installment may be inserted in the contract after its
19 execution.

20 (4) If a seller proffers an installment contract as part
21 of a transaction which delays or cancels, or promises to delay or
22 cancel, the payment of the time-price differential on the contract if
23 the buyer pays the basic time price, cash price, or cash sale price
24 within a certain period of time, the seller shall, in clear and
25 conspicuous writing, either within the installment contract or in a

1 separate document, inform the buyer of the exact date by which the
2 buyer must pay the basic time price, cash price, or cash sale price
3 in order to delay or cancel the payment of the time-price
4 differential. The seller or any subsequent purchaser of the
5 installment contract, including a sales finance company, shall not be
6 allowed to change such date.

7 (5) Upon written request from the buyer, the holder of an
8 installment contract shall give or forward to the buyer a written
9 statement of the dates and amounts of payments and the total amount
10 unpaid under such contract. A buyer shall be given a written receipt
11 for any payment when made in cash.

12 (6) After payment of all sums for which the buyer is
13 obligated under a contract, the holder shall deliver or mail to the
14 buyer at his or her last-known address one or more good and
15 sufficient instruments or copies thereof to acknowledge payment in
16 full and shall release all security in the goods and mark canceled
17 and return to the buyer the original agreement or copy thereof or
18 instruments or copies thereof signed by the buyer. For purposes of
19 this section, a copy shall meet the requirements of section
20 25-12,112.

21 Sec. 3. Section 45-1002, Reissue Revised Statutes of
22 Nebraska, is amended to read:

23 45-1002 (1) For purposes of the Nebraska Installment Loan
24 Act:

25 (a) Applicant means a person applying for a license under

1 the act;

2 (b) Breach of security of the system means unauthorized
3 acquisition of data that compromises the security, confidentiality,
4 or integrity of the information maintained by the Nationwide Mortgage
5 Licensing System and Registry, its affiliates, or its subsidiaries;

6 (c) Department means the Department of Banking and
7 Finance;

8 (d) Debt cancellation contract means a loan term or
9 contractual arrangement modifying loan terms under which a financial
10 institution or licensee agrees to cancel all or part of a borrower's
11 obligation to repay an extension of credit from the financial
12 institution or licensee upon the occurrence of a specified event. The
13 debt cancellation contract may be separate from or a part of other
14 loan documents. The term debt cancellation contract does not include
15 loan payment deferral arrangements in which the triggering event is
16 the borrower's unilateral election to defer repayment or the
17 financial institution's or licensee's unilateral decision to allow a
18 deferral of repayment;

19 (e) Debt suspension contract means a loan term or
20 contractual arrangement modifying loan terms under which a financial
21 institution or licensee agrees to suspend all or part of a borrower's
22 obligation to repay an extension of credit from the financial
23 institution or licensee upon the occurrence of a specified event. The
24 debt suspension contract may be separate from or a part of other loan
25 documents. The term debt suspension contract does not include loan

1 payment deferral arrangements in which the triggering event is the
2 borrower's unilateral election to defer repayment or the financial
3 institution's or licensee's unilateral decision to allow a deferral
4 of repayment;

5 (f) Director means the Director of Banking and Finance;

6 (g) Financial institution has the same meaning as in
7 section 8-101;

8 (h) Guaranteed asset protection waiver means a waiver
9 that is offered, sold, or provided in accordance with the Guaranteed
10 Asset Protection Waiver Act;

11 (i) Licensee means any person who obtains a license under
12 the Nebraska Installment Loan Act;

13 (j)(i) Mortgage loan originator means an individual who
14 for compensation or gain (A) takes a residential mortgage loan
15 application or (B) offers or negotiates terms of a residential
16 mortgage loan.

17 (ii) Mortgage loan originator does not include (A) any
18 individual who is not otherwise described in subdivision (i)(A) of
19 this subdivision and who performs purely administrative or clerical
20 tasks on behalf of a person who is described in subdivision (i) of
21 this subdivision, (B) a person or entity that only performs real
22 estate brokerage activities and is licensed or registered in
23 accordance with applicable state law, unless the person or entity is
24 compensated by a lender, a mortgage broker, or other mortgage loan
25 originator or by any agent of such lender, mortgage broker, or other

1 mortgage loan originator, or (C) a person or entity solely involved
2 in extensions of credit relating to time-share programs as defined in
3 section 76-1702;

4 (k) Nationwide Mortgage Licensing System and Registry
5 means a mortgage licensing system developed and maintained by the
6 Conference of State Bank Supervisors and the American Association of
7 Residential Mortgage Regulators for the licensing and registration of
8 mortgage loan originators, mortgage bankers, and installment loan
9 companies;

10 (l) Person means individual, partnership, limited
11 liability company, association, financial institution, trust,
12 corporation, and any other legal entity; and

13 (m) Real property means an owner-occupied single-family,
14 two-family, three-family, or four-family dwelling which is located in
15 this state, which is occupied, used, or intended to be occupied or
16 used for residential purposes, and which is, or is intended to be,
17 permanently affixed to the land.

18 (2) Except as provided in subsection (3) of section
19 45-1017 and subsection (4) of section 45-1019, no revenue arising
20 under the Nebraska Installment Loan Act shall inure to any school
21 fund of the State of Nebraska or any of its governmental
22 subdivisions.

23 (3) Loan, when used in the Nebraska Installment Loan Act,
24 does not include any loan made by a person who is not a licensee on
25 which the interest does not exceed the maximum rate permitted by

1 section 45-101.03.

2 (4) Nothing in the Nebraska Installment Loan Act applies
3 to any loan made by a person who is not a licensee if the interest on
4 the loan does not exceed the maximum rate permitted by section
5 45-101.03.

6 Sec. 4. Section 45-1024, Reissue Revised Statutes of
7 Nebraska, is amended to read:

8 45-1024 (1) Except as provided in section 45-1025 and
9 subsection (6) of this section, every licensee may make loans and may
10 contract for and receive on such loans charges at a rate not
11 exceeding twenty-four percent per annum on that part of the unpaid
12 principal balance on any loan not in excess of one thousand dollars,
13 and twenty-one percent per annum on any remainder of such unpaid
14 principal balance. Except for loans secured by mobile homes, a
15 licensee may not make loans for a period in excess of one hundred
16 forty-five months if the amount of the loan is greater than three
17 thousand dollars but less than twenty-five thousand dollars. Charges
18 on loans made under the Nebraska Installment Loan Act shall not be
19 paid, deducted, or received in advance. The contracting for, charging
20 of, or receiving of charges as provided for in subsection (2) of this
21 section shall not be deemed to be the payment, deduction, or receipt
22 of such charges in advance.

23 (2) When the loan contract requires repayment in
24 substantially equal and consecutive monthly installments of principal
25 and charges combined, the licensee may, at the time the loan is made,

1 precompute the charges at the agreed rate on scheduled unpaid
2 principal balances according to the terms of the contract and add
3 such charges to the principal of the loan. Every payment may be
4 applied to the combined total of principal and precomputed charges
5 until the contract is fully paid. All payments made on account of any
6 loan except for default and deferment charges shall be deemed to be
7 applied to the unpaid installments in the order in which they are
8 due. The portion of the precomputed charges applicable to any
9 particular month of the contract, as originally scheduled or
10 following a deferment, shall be that proportion of such precomputed
11 charges, excluding any adjustment made for a first installment period
12 of more than one month and any adjustment made for deferment, which
13 the balance of the contract scheduled to be outstanding during such
14 month bears to the sum of all monthly balances originally scheduled
15 to be outstanding by the contract. This section shall not limit or
16 restrict the manner of calculating charges, whether by way of add-on,
17 single annual rate, or otherwise, if the rate of charges does not
18 exceed that permitted by this section. Charges may be contracted for
19 and earned at a single annual rate, except that the total charges
20 from such rate shall not be greater than the total charges from the
21 several rates otherwise applicable to the different portions of the
22 unpaid balance according to subsection (1) of this section. All loan
23 contracts made pursuant to this subsection are subject to the
24 following adjustments:

25 (a) Notwithstanding the requirement for substantially

1 equal and consecutive monthly installments, the first installment
2 period may not exceed one month by more than twenty-one days and may
3 not fall short of one month by more than eleven days. The charges for
4 each day exceeding one month shall be one-thirtieth of the charges
5 which would be applicable to a first installment period of one month.
6 The charge for extra days in the first installment period may be
7 added to the first installment and such charges for such extra days
8 shall be excluded in computing any rebate;

9 (b) If prepayment in full by cash, a new loan, or
10 otherwise occurs before the first installment due date, the charges
11 shall be recomputed at the rate of charges contracted for in
12 accordance with subsection (1) or (2) of this section upon the actual
13 unpaid principal balances of the loan for the actual time outstanding
14 by applying the payment, or payments, first to charges at the agreed
15 rate and the remainder to the principal. The amount of charges so
16 computed shall be retained in lieu of all precomputed charges;

17 (c) If a contract is prepaid in full by cash, a new loan,
18 or otherwise after the first installment due date, the borrower shall
19 receive a rebate of an amount which is not less than the amount
20 obtained by applying to the unpaid principal balances as originally
21 scheduled or, if deferred, as deferred, for the period following
22 prepayment, according to the actuarial method, the rate of charge
23 contracted for in accordance with subsection (1) or (2) of this
24 section. The licensee may round the rate of charge to the nearest
25 one-half of one percent if such procedure is not consistently used to

1 obtain a greater yield than would otherwise be permitted. Any default
2 and deferment charges which are due and unpaid may be deducted from
3 any rebate. No rebate shall be required for any partial prepayment.
4 No rebate of less than one dollar need be made. Acceleration of the
5 maturity of the contract shall not in itself require a rebate. If
6 judgment is obtained before the final installment date, the contract
7 balance shall be reduced by the rebate which would be required for
8 prepayment in full as of the date judgment is obtained;

9 (d) If any installment on a precomputed or interest
10 bearing loan is unpaid in full for ten or more consecutive days,
11 Sundays and holidays included, after it is due, the licensee may
12 charge and collect a default charge not exceeding an amount equal to
13 five percent of such installment. If any installment payment is made
14 by a check, draft, or similar signed order which is not honored
15 because of insufficient funds, no account, or any other reason except
16 an error of a third party to the loan contract, the licensee may
17 charge and collect a fifteen-dollar bad check charge. Such default or
18 bad check charges may be collected when due or at any time
19 thereafter;

20 (e) If, as of an installment due date, the payment date
21 of all wholly unpaid installments is deferred one or more full months
22 and the maturity of the contract is extended for a corresponding
23 period, the licensee may charge and collect a deferment charge not
24 exceeding the charge applicable to the first of the installments
25 deferred, multiplied by the number of months in the deferment period.

1 The deferment period is that period during which no payment is made
2 or required by reason of such deferment. The deferment charge may be
3 collected at the time of deferment or at any time thereafter. The
4 portion of the precomputed charges applicable to each deferred
5 balance and installment period following the deferment period shall
6 remain the same as that applicable to such balance and periods under
7 the original loan contract. No installment on which a default charge
8 has been collected, or on account of which any partial payment has
9 been made, shall be deferred or included in the computation of the
10 deferment charge unless such default charge or partial payment is
11 refunded to the borrower or credited to the deferment charge. Any
12 payment received at the time of deferment may be applied first to the
13 deferment charge and the remainder, if any, applied to the unpaid
14 balance of the contract, except that if such payment is sufficient to
15 pay, in addition to the appropriate deferment charge, any installment
16 which is in default and the applicable default charge, it shall be
17 first so applied and any such installment shall not be deferred or
18 subject to the deferment charge. If a loan is prepaid in full during
19 the deferment period, the borrower shall receive, in addition to the
20 required rebate, a rebate of that portion of the deferment charge
21 applicable to any unexpired full month or months of such deferment
22 period; and

23 (f) If two or more full installments are in default for
24 one full month or more at any installment date and if the contract so
25 provides, the licensee may reduce the contract balance by the rebate

1 which would be required for prepayment in full as of such installment
2 date and the amount remaining unpaid shall be deemed to be the unpaid
3 principal balance and thereafter in lieu of charging, collecting,
4 receiving, and applying charges as provided in this subsection,
5 charges may be charged, collected, received, and applied at the
6 agreed rate as otherwise provided by this section until the loan is
7 fully paid.

8 (3) The charges, as referred to in subsection (1) of this
9 section, shall not be compounded. The charging, collecting, and
10 receiving of charges as provided in subsection (2) of this section
11 shall not be deemed compounding. If part or all of the consideration
12 for a loan contract is the unpaid principal balance of a prior loan,
13 then the principal amount payable under such loan contract may
14 include any unpaid charges on the prior loan which have accrued
15 within sixty days before the making of such loan contract and may
16 include the balance remaining after giving the rebate required by
17 subsection (2) of this section. Except as provided in subsection (2)
18 of this section, charges shall (a) be computed and paid only as a
19 percentage per month of the unpaid principal balance or portions
20 thereof and (b) be computed on the basis of the number of days
21 actually elapsed. For purposes of computing charges, whether at the
22 maximum rate or less, a month shall be that period of time from any
23 date in a month to the corresponding date in the next month but if
24 there is no such corresponding date then to the last day of the next
25 month, and a day shall be considered one-thirtieth of a month when

1 computation is made for a fraction of a month.

2 (4) Except as provided in subsections (5) and (6) of this
3 section, in addition to that provided for under the Nebraska
4 Installment Loan Act, no further or other amount whatsoever shall be
5 directly or indirectly charged, contracted for, or received. If any
6 amount, in excess of the charges permitted, is charged, contracted
7 for, or received, the loan contract shall not on that account be
8 void, but the licensee shall have no right to collect or receive any
9 interest or other charges whatsoever. If such interest or other
10 charges have been collected or contracted for, the licensee shall
11 refund to the borrower all interest and other charges collected and
12 shall not collect any interest or other charges contracted for and
13 thereafter due on the loan involved, as liquidated damages, and the
14 licensee or its assignee, if found liable, shall pay the costs of any
15 action relating thereto, including reasonable attorney's fees. No
16 licensee shall be found liable under this subsection if the licensee
17 shows by a preponderance of the evidence that the violation was not
18 intentional and resulted from a bona fide error notwithstanding the
19 maintenance of procedures reasonably adopted to avoid any such error.

20 (5) A borrower may be required to pay all reasonable
21 expenses incurred in connection with the making, closing, disbursing,
22 extending, readjusting, or renewing of loans. Such expenses may
23 include abstracting, recording, releasing, and registration fees;
24 premiums paid for nonfiling insurance; premiums paid on insurance
25 policies covering tangible personal property securing the loan;

1 amounts charged for a debt cancellation contract or a debt suspension
2 contract, as agreed upon by the parties, if the debt cancellation
3 contract or debt suspension contract is a contract of a financial
4 institution or licensee and such contract is sold directly by such
5 financial institution or licensee or by an unaffiliated, nonexclusive
6 agent of such financial institution or licensee in accordance with 12
7 C.F.R. part 37, as such part existed on January 1, ~~2006,~~ 2011, and
8 the financial institution or licensee is responsible for the
9 unaffiliated, nonexclusive agent's compliance with such part; title
10 examinations; credit reports; survey; taxes or charges imposed upon
11 or in connection with the making and recording or releasing of any
12 mortgage; ~~and~~ amounts charged for a guaranteed asset protection
13 waiver; and fees and expenses charged for electronic title and lien
14 services. Except as provided in subsection (6) of this section, a
15 borrower may also be required to pay a nonrefundable loan origination
16 fee not to exceed the lesser of five hundred dollars or an amount
17 equal to seven percent of that part of the original principal balance
18 of any loan not in excess of two thousand dollars and five percent on
19 that part of the original principal balance in excess of two thousand
20 dollars, if the licensee has not made another loan to the borrower
21 within the previous twelve months. If the licensee has made another
22 loan to the borrower within the previous twelve months, a
23 nonrefundable loan origination fee may only be charged on new funds
24 advanced on each successive loan. Such reasonable initial charges may
25 be collected from the borrower or included in the principal balance

1 of the loan at the time the loan is made and shall not be considered
2 interest or a charge for the use of the money loaned.

3 (6)(a) Loans secured solely by real property that are not
4 made pursuant to subdivision (11) of section 45-101.04 on real
5 property shall not be subject to the limitations on the rate of
6 interest provided in subsection (1) of this section or the
7 limitations on the nonrefundable loan origination fee under
8 subsection (5) of this section if (i) the principal amount of the
9 loan is seven thousand five hundred dollars or more and (ii) the sum
10 of the principal amount of the loan and the balances of all other
11 liens against the property do not exceed one hundred percent of the
12 appraised value of the property. Acceptable methods of determining
13 appraised value shall be made by the department pursuant to rule,
14 regulation, or order.

15 (b) An origination fee on such loan shall be computed
16 only on the principal amount of the loan reduced by any portion of
17 the principal that consists of the amount required to pay off another
18 loan made under this subsection by the same licensee.

19 (c) A prepayment penalty on such loan shall be permitted
20 only if (i) the maximum amount of the penalty to be assessed is
21 stated in writing at the time the loan is made, (ii) the loan is
22 prepaid in full within two years from the date of the loan, and (iii)
23 the loan is prepaid with money other than the proceeds of another
24 loan made by the same licensee. Such prepayment penalty shall not
25 exceed six months interest on eighty percent of the original

1 principal balance computed at the agreed rate of interest on the
2 loan.

3 (d) A licensee making a loan pursuant to this subsection
4 may obtain an interest in any fixtures attached to such real property
5 and any insurance proceeds payable in connection with such real
6 property or the loan.

7 (e) For purposes of this subsection, principal amount of
8 the loan means the total sum owed by the borrower including, but not
9 limited to, insurance premiums, loan origination fees, or any other
10 amount that is financed, except that for purposes of subdivision (6)
11 (b) of this section, loan origination fees shall not be included in
12 calculating the principal amount of the loan.

13 Sec. 5. Original sections 45-335, 45-336, 45-1002, and
14 45-1024, Reissue Revised Statutes of Nebraska, are repealed.

15 Sec. 6. Since an emergency exists, this act takes effect
16 when passed and approved according to law.