



**Rules of
Department of Commerce and
Insurance**

**Division 1140—Division of Finance
Chapter 3—Retail Credit Sales**

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**Title 20—DEPARTMENT OF
COMMERCE AND INSURANCE
Division 1140—Division of Finance
Chapter 3—Retail Credit Sales**

20 CSR 1140-3.020 Recordkeeping

PURPOSE: Retail credit financing institutions are subject to examination by the Division of Finance for the purpose of determining whether such companies are complying with the provisions of Chapter 364, RSMo, sections 408.250 through 408.370, RSMo, and other laws relating to retail credit financing. In addition, such companies are subject to regulation by the Division of Finance with respect to their financing activities and the sale of insurance in connection with these financing activities. The purpose of this rule is to establish minimum recordkeeping requirements facilitate examination by the Division of Finance.

(1) Books and Records. No special system of records is required by the commissioner of finance. The records of a financing institution will be considered sufficient if they include a cash journal, double entry general ledger or a comparable record and an individual account ledger. The records of the business of each registered office shall be maintained so that the assets, liabilities, income and expense may be readily segregated.

(2) Cash Journal. A cash book or cash journal shall contain a chronological record of the receipt and disbursement all funds including refunds, title transfer fees and all other items of receipt or expenditure incidental to the granting or collection of a retail time contract or retail charge agreement and replevin, repossession or sale of collateral.

(3) General Ledger. The general ledger shall be posted at least monthly. A trial balance sheet and profit and loss statement shall be available to the examiner. Where the general ledger is kept at a central office other than the location of the registered office, the central office shall provide information required by this section.

(4) Account Ledger. The individual ledger, preferably individual account card, shall be kept for each individual contract or charge agreement. Such ledger card or sheet shall set forth not less than the following items:

- (A) Brief description of security pledged on contract agreement;
- (B) Account number;
- (C) Name and address of retail buyer and of the retail seller;

(D) Date of contract or charge agreement;
(E) Date when first and subsequent payments are due;

(F) Number installments;
(G) Amount of installments;
(H) Date payments received;

(I) The amount of charge for life insurance, if sold in connection with the contract, specifying type, period and amount of coverage;

(J) The amount of charge for accident and health insurance, if sold in connection with the contract, specifying type, period and amount of coverage;

(K) The amount of charge for property insurance, if sold in connection with the contract, specifying type, period and amount of coverage;

(L) The amount of official fees;

(M) The principal amount of the contract or agreement;

(N) The time charge;

(O) The total of the principal and time charge;

(P) Amount paid on principal when face of contract does not include interest;

(Q) Amount paid interest when interest is not added to principal;

(R) The unpaid balance of the contract agreement; and

(S) The date and amount of any additional fee collected for delinquency or collection.

(5) Index. The holder of a retail time contract or retail charge agreement shall maintain a file which shall index alphabetically each retail buyer and contain not less than the following information: name of retail buyer, address of retail buyer, date of contract, account number and date paid in full. A separate index shall be kept on open contracts or agreements and those paid in full.

(6) Account Number. Each retail time contract retail charge agreement shall bear a number which corresponds to the account number

(7) Records Available. All books, records and paper including the contracts, applications, assignments bills of sale, mortgages, record of all insurance policies issued by or through the holder or seller as agent or broker in connection with the contract, shall kept in the office of the holder and made available to the examiner of the Division of Finance for examination at any time without previous notice. When contracts are hypothecated or deposited with a financial institution or parties in connection with credit, access must be provided for the examination when the institution holding those contracts is situated in Missouri. When the institution or person

holding those contracts is not so situated or access is not provided, the holder shall obtain from such institution or person either a monthly list of contracts held or a copy of the lists of contracts deposited and withdrawn; such lists to show date, original amount, name or number of account and bear authorized signature of the institution or person.

(8) Handling of Errors. When an error is made on the individual ledger or general ledger, a single thin line, preferably in red, shall be drawn through the improper entry and the correct entry mad the following line. No erasure whatsoever shall be made in any account of record.

(9) Preservation Records. The holder of a retail time contract or retail charge agreement shall keep all records on contracts or agreements available for examination for a period of two (2) years from the date of final payment.

(10) Contracts Paid in Full. When a retail time contract or retail charge agreement is paid in full it shall be the responsibility of the holder to mark the original contract paid in full and return it to the buyer.

(11) Contracts Paid in Full Before Maturity. When a retail time contract or retail charge agreement is paid in full before maturity the individual ledger shall show not less than the following information.

- (A) The date paid in full;
- (B) The amount of interest refunded; and
- (C) The amount of each type of insurance refund, if sold in connection with the contract, shall be shown separately.

(12) Contracts Pan Full by Life Insurance. If a retail time contract or retail charge agreement is paid upon the death of the buyer by credit life insurance sold in connection with the contract a death claim file shall be maintained containing not less than the following information:

- (A) The individual ledger;
- (B) Copy of the insurance policy or certificate;
- (C) Copy of the contract;
- (D) Copy of the death certificate;
- (E) Copy of all checks issued by the insurance company;
- (F) Copy of all checks issued by the holder in connection with the claim; and
- (G) All refunds shall be calculated as of the date of death of the buyer.

AUTHORITY: section 364.060, RSMo 1986. This rule originally filed as 4 CSR 140-3.020.*



Original rule filed Jan. 14, 1977, effective April 15, 1977. Moved to 20 CSR 1140-3.020, effective Aug. 28, 2006.

*Original authority: 364.060, RSMo 1963, amended 1993, 1995.

20 CSR 1140-3.030 Licensing

PURPOSE: Retail credit financing institutions are subject to examination by the Division of Finance for the purpose of determining whether such companies are complying with the provisions of Chapter 364, RSMo, sections 408.250 through 408.370, RSMo and other laws relating to retail credit financing. In addition, such companies are subject to regulation by the Division of Finance with respect to their financing activities and the sale of insurance in connection with these financial activities. The purpose of this rule is to establish guidelines for required licensing.

(1) Any location at which a financing institution permits any person to accept or execute any forms of documents relating to retail credit sales financing other than the place of business recited in the financing institution's registration certificate shall be deemed to be a place of business of the financing institution and shall require a separate certificate of registration; provided, however, that no merchant dealing with retail time sales contracts issued to finance such merchant's own sales from inventory shall be considered to be doing business in behalf of the financial institution.

AUTHORITY: section 364.060, RSMo 1986. This rule originally filed as 4 CSR 140-3.030. Original rule filed Jan. 14, 1977, effective April 15, 1977. Moved to 20 CSR 1140-3.030, effective Aug. 28, 2006.*

*Original authority: 364.060, RSMo 1963, amended 1993, 1995.

20 CSR 1140-3.040 Extension Fees

PURPOSE: Extension fees are believed by the director of finance to be a fair and equitable approach to certain problems which can occur during the term of precomputed retail credit sales contracts. This rule is designed to provide a simple extension fee formula which is equitable for both the financial institutions and the debtor.

(1) Extensions on precomputed contracts made pursuant to the Retail Credit Sales Act

shall be calculated according to the following formula:

$$\text{UNIT CHARGE (UC)} = \frac{\text{Total Finance Charge}}{\text{Sum of the Digits in the Original term that is } 1 + 2 + 3, \text{ etc.}}$$

Extension fee = UC times NUMBER OF FULL REMAINING INSTALLMENTS. Example: Consider a twenty-four (24)-month contract of \$1,925.25 with finance charges of \$474.75, monthly payments of \$100 and APR of 22.13%.

$$\text{UC} = \frac{474.75}{300} = 1.5825$$

If an extension is taken with twenty-two (22) installments remaining, the extension fee would be 22 times 1.5825 or \$34.81. Considerations within the act necessitate the following limitations on extensions:

(A) No extension fee shall be collected more than one (1) month prior to the due date of the earliest installment being deferred;

(B) No extension shall be collected for any partial payment, however, two dollars (\$2) or less shall not be considered a partial payment;

(C) A minimum extension fee of one dollar (\$1) will be allowed;

(D) Any principal payment collected on the same day as an extension shall be applied before calculating the extension fee; and

(E) In the event of prepayment in full of the note or contract, the extensions shall be counted as months and the rule of seventy eight's (78's) factor, based on this total, applied to all of the finance charges contracted for plus the extension fees collected.

AUTHORITY: section 364.060, RSMo 1986. This rule originally filed as 4 CSR 140-3.040. Original rule filed Feb. 13, 1980, effective June 12, 1980. Moved to 20 CSR 1140-3.040, effective Aug. 28, 2006.*

*Original authority: 364.060, RSMo 1963, amended 1993, 1995.

20 CSR 1140-3.041 Retail Credit Sales—Insurance

PURPOSE: This rule is designed to promote consistent regulation of credit property insurance sold in connection with retail credit sales. It is felt that this regulation will promote competition.

(1) Credit property insurance may be sold, requisitioned, required or accepted in connection with any retail time transaction; provided, however, that such credit property

insurance is subject to the following requirements, restrictions and qualifications:

(A) Minimum Policy Standards. Credit property insurance must include standard fire coverage, extended coverage endorsement and replacement cost provision endorsement; such insurance must calculate benefits from the date of loss;

(B) Written Evidence of Coverage. The consumer must be provided with a copy of the policy or certificate of insurance within thirty (30) days of the extension of credit;

(C) Personal Property Lists. The holder must retain a list of the personal property securing the extension of credit which list must be signed by the consumer and dated to correspond with the extension of credit;

(D) Consumer's Rights. The consumer shall have the following rights concerning any credit property insurance:

1. The consumer shall not be required or coerced to obtain insurance from any particular insurer or agent as a condition for obtaining credit;

2. The consumer may substitute coverage at any time and, upon such substitution, shall be entitled to a *pro rata* refund of the unearned premium; where such insurance was not initially required by the creditor, the consumer may cancel at any time without substituting and shall be entitled to a *pro rata* refund of any premium paid; and

3. Credit property insurance must be cancelled upon the satisfaction or termination of the underlying indebtedness; upon such cancellation, the consumer shall be entitled to a *pro rata* refund of the unearned premium;

(E) Insurance not to Exceed Contract Terms. Credit property insurance may not exceed in amount the total amount of the indebtedness nor exceed in duration the scheduled term of the underlying contract;

(F) Rates. Credit property insurance rates may not exceed the rates for such coverage prescribed or approved by the Division of Insurance; and

(G) Severability. If any provision of any section of this regulation or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or that section or application of the regulations which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared to be severable.

AUTHORITY: sections 364.060 and 408.280, RSMo 1986. This rule originally filed as 4 CSR 140-3.041. Original rule filed June 14, 1978, effective Sept. 11, 1978. Amended: Filed April 12, 1979, effective July 12, 1979. Moved to 20 CSR 1140-3.041, effective Aug.*



28, 2006.

**Original authority: 364.060, RSMo 1963, amended 1993, 1995.*