

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1362 Session of  
2013

INTRODUCED BY ROSS, MILLER, GINGRICH, MOUL AND COHEN,  
MAY 8, 2013

REFERRED TO COMMITTEE ON COMMERCE, MAY 8, 2013

AN ACT

1 Amending the act of April 8, 1937 (P.L.262, No.66), entitled, as  
2 amended, "An act relating to consumer credit; requiring  
3 licenses from the Secretary of Banking; restricting licenses  
4 to domestic business corporations; fixing minimum capital  
5 requirements; conferring certain powers on the Secretary of  
6 Banking; limiting interest and other charges; providing  
7 certain exemptions; and imposing penalties," further  
8 providing for title, for definitions, for required license,  
9 for application for license, for license bond, for license  
10 fee, for organization and minimum capital, for issuance of  
11 license, for records required, for reports to the Secretary  
12 of Banking, for examinations by the secretary, for authority  
13 of the secretary, for powers conferred on licensees, for  
14 licensee requirements and limitations, for statement of  
15 contract, for scope of act and for penalties.

16 The General Assembly of the Commonwealth of Pennsylvania  
17 hereby enacts as follows:

18 Section 1. The title of the act of April 8, 1937 (P.L.262,  
19 No.66), known as the Consumer Discount Company Act, amended June  
20 20, 1947 (P.L.665, No.288), is amended to read:

AN ACT

22 Relating to consumer credit; requiring licenses from the  
23 [Secretary of Banking] Department of Banking and Securities;  
24 restricting licenses to domestic business corporations;

fixing minimum capital requirements; conferring certain powers on the [Secretary of Banking] Department of Banking and Securities; limiting interest and other charges; providing certain exemptions; and imposing penalties.

Section 2. The definition of "contract" in section 2 of the act is amended and the section is amended by adding a definition to read:

Section 2. Definitions.--The following terms shall be construed in the act to have the following meanings, except in those instances where the context clearly indicates otherwise:

"Department" means the Department of Banking and Securities of the Commonwealth.

\* \* \*

"Contract" means a promissory or judgment note, bill of exchange, judgment, mortgage, conditional sales, contract, lease or bailment by which the lessee or bailee has the option of becoming or is bound to become the owner of real or personal property upon full compliance with the terms of the agreement, or any other form of negotiable or nonnegotiable instrument evidencing an agreement to pay a sum certain in money at a fixed or determinable time, of not less than ten (10) business days, either by a single payment or by stated installments.

\* \* \*

Section 3. Clauses A and C of section 3 of the act, amended December 12, 1994 (P.L.1060, No.144) and July 2, 1996 (P.L.490, No.80), are amended to read:

Section 3. License Required.--A. On and after the effective date of this act, no person shall engage or continue to engage in this Commonwealth, either as principal, employe, agent or broker, in the business of negotiating or making loans or

1 advances of money on credit, in the amount or value of twenty-  
2 five thousand dollars (\$25,000) or less, and charge, collect,  
3 contract for or receive interest, discount, bonus, fees, fines,  
4 commissions, charges, or other considerations which aggregate in  
5 excess of the interest that the lender would otherwise be  
6 permitted by law to charge if not licensed under this act on the  
7 amount actually loaned or advanced, or on the unpaid principal  
8 balances when the contract is payable by stated installments  
9 except a domestic business corporation organized under or  
10 existing by virtue of the Business Corporation Law of this  
11 Commonwealth, after first obtaining a license from the  
12 [Secretary of Banking of the Commonwealth of Pennsylvania]  
13 department in accordance with the provisions of this act.

14 \* \* \*

15 C. Notwithstanding subsection A, the [Secretary of Banking]  
16 department may license a branch office in another state provided  
17 the licensee maintains a place of business in this Commonwealth  
18 which is licensed under the provisions of this act.

19 Section 4. Section 4 of the act, amended July 2, 1996  
20 (P.L.490, No.80), is amended to read:

21 Section 4. Application for License.--The application for  
22 such license shall be in writing, under oath and in the form  
23 prescribed by the [Secretary of Banking] department. The  
24 application shall contain the corporate title of the applicant  
25 and any registered or otherwise qualified name to be used as a  
26 fictitious business name; the street and number, if any, city,  
27 borough, township or municipality, and county where the business  
28 is to be conducted; date of incorporation; name and residence  
29 address of all directors; and such other information as the  
30 [Secretary of Banking] department may require.

1 A separate application on the prescribed form shall be filed  
2 for each place of business conducted by a licensee.

3 Section 5. Section 5 of the act, amended July 30, 1963  
4 (P.L.335, No.183), is amended to read:

5 Section 5. License Bond.--A bond in the penal sum of five  
6 thousand dollars (\$5,000) shall accompany every application for  
7 license. Such bond shall be executed by a surety company  
8 authorized by the laws of Pennsylvania to transact business  
9 within this Commonwealth. The bond shall be renewed and refiled  
10 annually not later than June first for the first three  
11 consecutive years from the date on which the licensee was first  
12 licensed. The bond shall be executed to the Commonwealth of  
13 Pennsylvania and shall be for the use of the Commonwealth and  
14 for any person or persons who may have a cause of action against  
15 the licensee. The condition of the bond shall be that the  
16 licensee will comply with and abide by all the provisions of  
17 this act and all the rules and regulations of the [Secretary of  
18 Banking] department, lawfully issued in accordance with this act  
19 and that the licensee will pay to the Commonwealth, to the  
20 [Secretary of Banking] department, or to any person or persons,  
21 any and all monies that may come due to the Commonwealth, to the  
22 [Secretary of Banking] department, or to any person or persons,  
23 from the said licensee under and by virtue of the provisions of  
24 this act. If any person shall be aggrieved by the misconduct of  
25 a licensee and shall recover judgment against such licensee,  
26 such person may, on any execution issued under such judgment,  
27 maintain an action upon the bond of the licensee in any court  
28 having jurisdiction of the amount claimed, provided the  
29 [Secretary of Banking] department assents thereto.

30 A separate bond shall be provided for each place of business

1 conducted by a licensee. After the licensee has been  
2 continuously licensed for three (3) consecutive years, such bond  
3 shall not be renewed or refiled unless the [Secretary of  
4 Banking] department has reason to believe that such bond is  
5 necessary and notifies the licensee in writing on or before May  
6 1 that such bond is required.

7 Section 6. Section 6 of the act, amended December 30, 1970  
8 (P.L.959, No.301), is amended to read:

9 Section 6. License Fee.--A license fee of two hundred  
10 dollars (\$200) shall accompany each application for license  
11 under this act. Each license shall remain in full force and  
12 effect until surrendered, revoked or suspended as herein  
13 provided. The license fee of two hundred dollars (\$200) shall be  
14 paid annually on or before June first. No abatement of the said  
15 license fee shall be made if the license is issued for less than  
16 one year. An additional license fee of two hundred dollars  
17 (\$200) shall be paid for each place of business conducted by a  
18 licensee.

19 All license fees and fines received by the [Secretary of  
20 Banking] department under this act shall be deposited in the  
21 State Treasury to the credit of the Banking Department Fund for  
22 the use of the [Secretary of Banking] department in  
23 administering this act.

24 Section 7. Section 7 of the act, amended December 9, 1982  
25 (P.L.1072, No.249), is amended to read:

26 Section 7. Organization; Minimum Capital.--A license under  
27 the provisions of this act shall be issued only to a corporation  
28 organized under the Business Corporation Law of the Commonwealth  
29 of Pennsylvania. Such corporation shall be incorporated with a  
30 minimum capitalization of seventy-five thousand dollars

1 (\$75,000). At the time of applying for a license under this act,  
2 the minimum paid in capital shall be seventy-five thousand  
3 dollars (\$75,000). The minimum capitalization required shall be  
4 increased by twenty-five thousand dollars (\$25,000) for each  
5 additional place of business licensed under this act and no  
6 license for such additional place of business shall be granted  
7 until the minimum capitalization requirements are met provided,  
8 however, in the event that such place of business is to be  
9 operated by an affiliate or subsidiary corporation, whether  
10 newly organized or otherwise related to the licensee by virtue  
11 of common ownership or management the minimum capitalization for  
12 such affiliate or subsidiary shall be only twenty-five thousand  
13 dollars (\$25,000), and the minimum capitalization of the  
14 licensee need not be increased. The minimum capitalization shall  
15 be maintained as permanent capital which shall not be  
16 distributed to stockholders or be purchased by a licensee  
17 without the prior written approval of the [Secretary of Banking]  
18 department. Corporations holding valid licenses on the effective  
19 date of this amendment shall meet the minimum capitalization  
20 requirements listed above within two years after the effective  
21 date of this amendment.

22 Section 8. Section 8 of the act, amended December 12, 1994  
23 (P.L.1060, No.144), is amended to read:

24 Section 8. Issuance of License.--The [Secretary of Banking,  
25 if he] department, if it approves the application for license,  
26 shall issue to each applicant a certificate showing the name of  
27 the corporation and address of the place of business. Such  
28 license shall be posted in a conspicuous place in the office of  
29 the licensee. A license may not be transferred or assigned. A  
30 licensee may, upon prior written notification to the [Secretary

1 of Banking] department, change its place of business to another  
2 location within the same city, town, borough or township. A  
3 licensee desiring to change its place of business to other than  
4 the same city, town, borough or township shall give written  
5 notice thereof to the [Secretary of Banking] department and  
6 return the license certificate to the [Secretary of Banking]  
7 department for amendment. The [Secretary of Banking, if he]  
8 department, if it approves the removal of the place of business,  
9 shall endorse on the license [his] its approval of the change of  
10 address and the date thereof, which shall thereafter be the  
11 authority for the operation of such business under such license  
12 at the new location. Except as provided herein, no change in the  
13 place of business of a licensee to a location outside the  
14 original municipality shall be permitted: Provided, however, A  
15 licensee may obtain a new license for a place of business in a  
16 new location in a municipality other than that in which the  
17 original place of business was located. Only one place of  
18 business may be operated under the same license.

19 A licensee may operate more than one place of business, in  
20 Pennsylvania or another state, by obtaining a separate license  
21 by filing an application for each additional place of business,  
22 and by furnishing a bond for each additional place of business  
23 and by paying the license fee provided by law for each  
24 additional place of business.

25 No license shall be required for any place of business at  
26 which payments on contracts are received and processed, records  
27 are maintained or servicing of contracts is performed. Any such  
28 place of business may be located outside of this Commonwealth,  
29 and the licensee shall provide the [Secretary of Banking]  
30 department with the address of such place of business. The

1 licensee shall maintain at its principal place of business  
2 within this Commonwealth or at such place within or outside this  
3 Commonwealth, subject to the prior written approval of the  
4 [Secretary of Banking] department or designee, either the  
5 original or a copy of such books, accounts, records and  
6 documents, or electronic or other similar access thereto, of the  
7 business conducted under the license as may be prescribed by the  
8 department to enable it to determine whether the business of the  
9 licensee is being conducted in accordance with the provisions of  
10 this act and the orders, rules and regulations issued under this  
11 act.

12 Section 9. Sections 9 and 10 of the act are amended to read:

13 Section 9. Records Required.--Licensees operating under the  
14 provisions of this act shall maintain adequate and complete  
15 records of all business transacted, containing such information  
16 and in such form as shall be prescribed by the [Secretary of  
17 Banking] department by general rule or regulation. The records  
18 of licensees shall be maintained in the English language. The  
19 records of licensees shall be retained for a period of two years  
20 after the date of final payment on any contract.

21 Section 10. Reports to the [Secretary of Banking]  
22 department.--Licensees operating under the provisions of this  
23 act shall annually, on or before the first day of March, file a  
24 report with the [Secretary of Banking] department, giving such  
25 relevant information concerning the business and operations  
26 during the previous calendar year as the [Secretary of Banking]  
27 department may require. Such report shall be made under oath and  
28 shall be in the form prescribed by the [Secretary of Banking]  
29 department. A separate report shall be filed for each place of  
30 business maintained by a licensee. The [Secretary of Banking]



1 department may at any time upon thirty (30) days notice require  
2 a licensee to file special reports in addition to the annual  
3 report. For failure to file such reports within the time  
4 specified, the licensee shall pay to the [Secretary of Banking]  
5 department a penalty of ten dollars (\$10) for each calendar day  
6 which such report is overdue, but the [Secretary of Banking]  
7 department may, in [his] its discretion, relieve a licensee of  
8 any portion or of all such fine. Such fine, which has not been  
9 paid by the licensee and for the payment of which the licensee  
10 has not been relieved, may be collected by the [Secretary of  
11 Banking] department from the bonding company which has executed  
12 the bond required under this act, and the [Secretary of Banking]  
13 department may maintain an action for the recovery of such fine  
14 in any court of competent jurisdiction.

15 Section 10. Section 11 of the act, amended December 12, 1994  
16 (P.L.1060, No.144), is amended to read:

17 Section 11. Examinations by the [Secretary of Banking]  
18 department.--The [Secretary of Banking] department, and any  
19 person designated by [him] it for that purpose, shall at least  
20 once every two calendar years investigate the business and  
21 affairs and examine the books, accounts, papers, records,  
22 documents, and files therein of every licensee and of every  
23 person who shall be engaged in business contemplated by this  
24 act, whether such person shall act or claim to act as principal,  
25 agent or broker, or under or without the authority of this act.  
26 For this purpose the [Secretary of Banking] department shall  
27 have access during normal business hours to the offices and  
28 places of business, books, accounts, papers, records, documents,  
29 files, safes and vaults of all such persons. A person, who is  
30 not licensed under this act, shall be presumed to be engaged in

1 business contemplated by this act if he advertises or solicits  
2 business as principal, agent or broker for which a license is  
3 required by the provisions of this act, and the [Secretary of  
4 Banking] department, and any person designated by [him] it for  
5 that purpose, is in such cases authorized to examine the books,  
6 accounts, papers, records, documents, files, safes and vaults of  
7 such persons for the purpose of discovering violations of this  
8 act.

9 The cost of every examination of the business of a licensee  
10 by the [Secretary of Banking] department, or [his] its duly  
11 authorized representative, shall be paid by the licensee so  
12 examined, and the [Secretary of Banking] department may collect  
13 such costs from the licensee or from the surety company which  
14 has executed the bond required under this act, and [he] it may  
15 maintain an action for the recovery of such costs in any court  
16 of competent jurisdiction.

17 Section 11. Section 12 of the act, amended December 17, 1959  
18 (P.L.1890, No.691) and repealed in part April 28, 1978 (P.L.202,  
19 No.53), is amended to read:

20 Section 12. Authority of the [Secretary of Banking]  
21 department.--The [Secretary of Banking] department shall have  
22 the power to reject any application for license if [he] it is  
23 satisfied that the financial responsibility, experience,  
24 character and general fitness of the person or persons shown on  
25 the application for license as officers and directors of the  
26 applicant corporation are not such as to command the confidence  
27 of the community and to warrant the conclusion that the business  
28 will be operated honestly, fairly, and within the intent and  
29 purpose of this act and in accordance with the general laws of  
30 this Commonwealth: Provided, however, That no license may be

1 issued, if any director, officer, employee, or agent of the  
2 applicant corporation has been convicted under this act for  
3 engaging in business contemplated by this act without having  
4 obtained a license under this act, or if any director, officer,  
5 employee, or agent of the applicant corporation was a director,  
6 officer, employee, or agent of a corporation which had been  
7 convicted of a second offense violation of this act and had its  
8 license revoked. Whenever the [Secretary of Banking] department  
9 rejects an application for a license, [he] it shall furnish the  
10 applicant with a written specification of the reason or reasons  
11 therefor. The failure of the [Secretary of Banking] department  
12 to act upon an application within three (3) months of receipt  
13 thereof shall be deemed to be an approval of such application.

14 The [Secretary of Banking] department, upon thirty (30) days'  
15 written notice to the licensee, forwarded by registered mail to  
16 the place of business of such licensee, as shown on the  
17 application for license, stating the contemplated action and in  
18 general the grounds therefor, may revoke any license if the  
19 licensee shall violate any provision of this act; or if the  
20 licensee shall violate any rule or regulation issued by the  
21 [Secretary of Banking] department under and within the authority  
22 of this act; or if a licensee shall fail to comply with any  
23 demand, rule or regulation, lawfully made by the [Secretary of  
24 Banking] department under and within the authority of this act;  
25 or if the licensee shall refuse to permit the [Secretary of  
26 Banking] department, or [his] its designated representative, to  
27 make examinations authorized by this act; or if the licensee  
28 shall fail to pay the cost of examination by the [Secretary of  
29 Banking] department, or [his] its duly authorized  
30 representative; or if the licensee has failed to maintain in

1 effect the bond required under the provisions of this act; or if  
2 the licensee has failed to maintain records prescribed by the  
3 [Secretary of Banking] department; or if the licensee has failed  
4 to file the annual report to the [Secretary of Banking]  
5 department within the time stipulated in this act; or if the  
6 licensee, having failed to file the annual report within the  
7 stipulated time, has not paid the fine required under this act;  
8 or if any fact or condition exists or is discovered, which, if  
9 it had existed or had been discovered at the time of filing of  
10 the application for such license, would have warranted the  
11 [Secretary of Banking] department in refusing to issue such  
12 license. Whenever such license is revoked, the [Secretary of  
13 Banking] department shall not issue another license to the  
14 licensee until the expiration of at least one year from the date  
15 of revocation of said license and not at all if such licensee,  
16 or any officer, director, employe or agent thereof, shall have  
17 been convicted for a second offense violation of this act.

18 The [Secretary of Banking] department is hereby authorized  
19 and empowered to issue rules and regulations governing the  
20 records to be maintained by licensees, the statements of  
21 contract to be given consumers, the receipts for payment of  
22 contracts to be given consumers, the foreclosure and replevin of  
23 real or personal property upon default, and the procedure for  
24 sale of real or personal property upon default, and [he] it is  
25 further authorized and empowered to issue such general rules and  
26 regulations as may be necessary for the protection of the  
27 public, for insuring the proper conduct of the business  
28 contemplated by this act, and for the enforcement of this act,  
29 which rules and regulations shall have the force and effect of  
30 law.

1       The [Secretary of Banking] department shall be authorized to  
2       require the attendance and testimony of witnesses and the  
3       production of any books, accounts, papers, records, documents,  
4       and files relating to such business which the [Secretary of  
5       Banking] department has authority by this act to investigate,  
6       and, for this purpose, the [Secretary of Banking] department may  
7       sign subpoenas, administer oaths and affirmations, examine  
8       witnesses and receive evidence. In case of disobedience of any  
9       subpoena or the contumacy of any witness appearing before the  
10      [Secretary of Banking] department, the [Secretary of Banking]  
11      department may invoke the aid of the courts, and such court  
12      shall thereupon issue an order requiring the person subpoenaed  
13      to obey the subpoena or to give evidence or to produce books,  
14      accounts, papers, records, documents, and files relative to the  
15      matter in question. Any failure to obey such order of the court  
16      may be punished by such court as a contempt thereof.

17      Section 12. Introductory paragraph and subclause (2) of  
18      clause Q of section 13 and clause I of section 14 of the act,  
19      amended or added December 21, 1998 (P.L.1287, No.167), are  
20      amended to read:

21      Section 13. Powers Conferred on Licensees.--In addition to  
22      the general powers conferred upon a corporation by the Business  
23      Corporation Law of this Commonwealth, a corporation licensed  
24      under this act shall have power and authority:

25      \* \* \*

26      Q. To conduct the business regulated by this act in any  
27      licensed place of business where another business is conducted  
28      by the licensee or another person unless the [Secretary of  
29      Banking] department shall find, after a hearing, the conduct of  
30      the other business has concealed evasions of this act and shall

1 order such person to desist from such conduct and to offer other  
2 services and products for voluntary purchase subject to the  
3 provisions of this clause.

4 \* \* \*

5 (2) A licensee may offer the types of services and products  
6 described in this subclause and may conduct or permit others to  
7 conduct the types of business described in this subclause within  
8 the same office, room or place of business where the licensee  
9 conducts its licensed business without prior approval by the  
10 [Secretary of Banking] department.

11 \* \* \*

12 Section 14. Licensee Requirements and Limitations.--\* \* \*

13 I. A licensee may sell contracts to and buy contracts from  
14 another licensee upon giving prior written notification to the  
15 [Secretary of Banking] department. The written notification  
16 shall state the name and address of the licensee to whom or from  
17 whom the contracts are being sold or purchased, the type of loan  
18 and number of contracts in the transaction and their aggregate  
19 principal balances. A licensee may not sell contracts to a  
20 person or corporation not holding a license under this act  
21 without the prior written approval of the [Secretary of Banking]  
22 department.

23 Section 13. Section 15 of the act is amended to read:

24 Section 15. Statement of Contract.--A licensee shall furnish  
25 to the consumer a statement setting forth the type of contract,  
26 description of the security on the contract, the date of the  
27 contract, the total amount due on the contract, the date upon  
28 which the contract is due or the dates upon which the  
29 installment payments are payable, the amount of such installment  
30 payments, and a statement indicating the basis for computing

1 default charges. No default charges may be collected if the  
2 statement of contract does not give due notice of the licensee's  
3 intention to collect default charges. This statement of the  
4 contract shall contain such additional information as the  
5 [Secretary of Banking] department may require.

6 Section 14. Section 17 of the act, amended May 23, 1947  
7 (P.L.296, No.128), is amended to read:

8 Section 17. Scope of Act.--This act shall not affect any  
9 existing laws, special or general, authorizing a charge for the  
10 loan of money in excess of interest at the legal rate. This act  
11 shall not apply to any person, persons, partnership, association  
12 or corporation operating under the laws related to banking  
13 institutions, building and loan associations, credit unions or  
14 licensed under the Small Loans Act, approved June seventeen, one  
15 thousand nine hundred fifteen, and supplements or amendments, or  
16 licensed by the [Secretary of Banking of the Commonwealth of  
17 Pennsylvania] department under the provisions of any other  
18 statute. This act shall not apply to any bona fide sale of  
19 personal property by a person regularly engaged in the sale of  
20 such personal property, wherein the purchaser may pay any part  
21 or all of the purchase price in stated installments, nor to any  
22 such bona fide sale under a conditional sale contract, lease or  
23 bailment, wherein the purchaser, lessee or bailee has the option  
24 of becoming, or is bound to become, the owner of the property  
25 upon full compliance with the terms of the agreement. This act  
26 shall not apply to nonprofit corporations organized under the  
27 laws of the Commonwealth of Pennsylvania having memberships  
28 consisting exclusively of duly licensed physicians, surgeons and  
29 dentists, operated exclusively for and by their members, and  
30 engaged in, among other activities, the financing of personal

1 obligations arising from the rendering of professional services  
2 by the members of such nonprofit corporations, which are limited  
3 strictly to medical, surgical, dental, operative, diagnostic and  
4 treatment services, or nursing and hospital care.

5 Section 15. Section 18 of the act, amended July 2, 1996  
6 (P.L.490, No.80), is amended to read:

7 Section 18. Penalties.--Any person who has not obtained a  
8 license from the [Secretary of Banking of the Commonwealth of  
9 Pennsylvania] department in accordance with the provisions of  
10 this act, and who shall engage in the business of negotiating or  
11 making loans or advances of money or credit, in the amount or  
12 value of twenty-five thousand dollars (\$25,000) or less, and  
13 charge, collect, contract for or receive interest, discount,  
14 bonus, fees, fines, commissions, charges or other considerations  
15 which aggregate in excess of the interest that the lender would  
16 otherwise be permitted by law to charge if not licensed under  
17 this act on the amount actually loaned or advanced, or on the  
18 unpaid principal balances when the contract is payable by stated  
19 installments, shall be guilty of a misdemeanor, upon conviction  
20 thereof shall be sentenced to pay a fine of not less than five  
21 hundred dollars (\$500) or more than five thousand dollars  
22 (\$5,000), and/or suffer imprisonment not less than six (6)  
23 months nor more than three (3) years, in the discretion of the  
24 court.

25 Except as the result of an accidental bona fide error, a  
26 corporation licensed under the provisions of this act or any  
27 director, officer, employe or agent who shall violate any  
28 provision of this act or shall direct or consent to such  
29 violations, shall be guilty of a misdemeanor, and, upon  
30 conviction thereof, shall be sentenced to pay a fine of not more



1 than two thousand dollars (\$2,000) for the first offense, and  
2 for each subsequent offense a like fine, and/or suffer  
3 imprisonment not to exceed one year, in the discretion of the  
4 court.

5 The payment of twenty-five thousand dollars (\$25,000) or  
6 less, in money, credit, goods or things in action as  
7 consideration for any sale or assignment of, or order for, the  
8 payment of wages, salary, commissions or other compensation for  
9 services, whether earned or to be earned, shall, for the  
10 purposes of regulation under this act, be deemed a loan secured  
11 by such assignment, and the amount by which such assigned  
12 compensation exceeds the amount of such consideration actually  
13 paid shall for the purpose of regulation under this act, be  
14 deemed interest or charges upon such loan from the date of such  
15 payment to the date such compensation is payable. Such  
16 transactions shall be governed by and subject to the provisions  
17 of this act.

18 The payment of twenty-five thousand dollars (\$25,000) or  
19 less, in money, credit, goods or things in action as  
20 consideration for any sale of real or personal property which is  
21 made on condition or agreement, expressed or implied, that such  
22 property be sold back at a greater price shall, for the purpose  
23 of this act, be deemed to be a loan secured by such property,  
24 and the amount by which the repurchase price exceeds such  
25 original purchase price actually paid shall be deemed interest  
26 or charges upon such loan from the date such original payment is  
27 made until the date such repurchase price is paid. Such  
28 transaction shall be governed by and subject to the provisions  
29 of this act.

30 When real or personal property is pledged as security on a

1 loan of twenty-five thousand dollars (\$25,000) or less, and the  
2 lender requires the borrower to pay for insurance thereon, such  
3 charge for insurance shall be construed as interest under this  
4 act when the lender has failed to have such insurance written by  
5 an insurance company legally authorized to conduct business in  
6 Pennsylvania. When the amount charged for such insurance is in  
7 excess of the standard cost of similar insurance in other  
8 insurance companies legally authorized to conduct business in  
9 Pennsylvania, the excess shall be construed as interest under  
10 this act.

11 If a contract is made in good faith in conformity with an  
12 interpretation of this act by the appellate courts of the  
13 Commonwealth or in compliance with a rule or regulation  
14 promulgated by the [Secretary of Banking] department, no  
15 provision of this section imposing any penalty shall apply,  
16 notwithstanding that after such contract is made, such  
17 interpretation, rule or regulation is amended, rescinded or  
18 determined by judicial or other authority to be invalid for any  
19 reason.

20 Section 16. The amendment of the definition of "contract" in  
21 section 2 of the act shall apply to contracts entered into or  
22 renewed on or after the effective date of this section.

23 Section 17. This act shall take effect in 60 days.