

HOUSE No. 706

By Mr. Clark of Holyoke, petition of Francis P. Clark relative to small loans and especially that the legal rate of interest thereon be reduced. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Thirty-Three.

An Act relative to Small Loans.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section ninety-six of chapter one hun-
2 dred and forty of the General Laws is hereby repealed
3 and in place thereof the following section is added:—
4 *Section 96.* No person, association, corporation or
5 partnership shall directly or indirectly engage in the
6 business of making loans of five hundred dollars or
7 less if the amount to be paid on any such loan for
8 interest, fines, liquidated damages, attorney's fees
9 and expenses exceeds in the aggregate an amount
10 equivalent to twelve per cent per annum upon the
11 sum loaned without first obtaining from the commis-
12 sioner of banks, in sections ninety-six to one hundred
13 and fourteen inclusive, called the commissioner, a
14 license to carry on the said business in the town or
15 city where the business is transacted. When an ap-
16 plication for a loan or for an endorsement or guarantee

17 or for the purchase of a note is made by any person
18 within this commonwealth, and the money is advanced
19 or the endorsement or guarantee is made or furnished
20 by any person without this commonwealth, the trans-
21 action shall be deemed a loan made within this com-
22 monwealth, and such a loan and the parties making
23 it shall be subject to sections ninety-six to one hun-
24 dred and thirteen, inclusive. The buying or endorsing
25 of notes or the furnishing of guarantee or security for
26 compensation shall be considered to be engaged in
27 the business of making small loans within said sections.
28 In prosecutions under said sections, the amount to be
29 paid upon any loan of five hundred dollars or less for
30 interest or expenses shall include all sums paid or to
31 be paid by or on behalf of the borrower for interest,
32 brokerage, recording fees, commissions, service, ex-
33 tension of loan, forbearance to enforce payment,
34 attorney's fees, fines, liquidated damages and all other
35 sums charged against or paid or to be paid by the
36 borrower for making or securing directly or indirectly
37 the loan, and shall include all such sums when paid
38 by or on behalf of or charged against the borrower for
39 or on account of making or securing the loan, directly
40 or indirectly, to or by any person, other than the
41 lender, if such payment or charge was known to the
42 lender at the time of making the loan, or might have
43 been ascertained by reasonable inquiry. Any person
44 directly or indirectly engaging in the business of
45 negotiating, arranging, aiding or assisting the bor-
46 rower or lender in procuring or making loans of five
47 hundred dollars or less, for which the amount paid
48 or to be paid for interest and expenses, including all
49 amounts paid or to be paid to any other party there-
50 for, exceeds in the aggregate an amount equivalent to

51 twelve per cent per annum, whether such loans are
52 actually made by such person or by another party,
53 shall be deemed to be engaged in the business of
54 making small loans, and shall be subject to sections
55 ninety-six to one hundred and twelve, inclusive.

1 SECTION 2. Section one hundred of chapter one
2 hundred and forty of the General Laws is hereby
3 amended by striking out the words "three per cent"
4 in the fifth line and inserting the words:— Two and
5 one half per cent.

1 SECTION 3. Section one hundred and ten of chap-
2 ter one hundred and forty of the General Laws is
3 hereby amended by striking out the words "three
4 hundred" in the tenth line and inserting the words:—
5 five hundred.

