

Article 24.—MORTGAGE BUSINESS

K.A.R.17-24-1. Signed acknowledgment; contents. Before a licensee enters into any contract for the provision of services or receives any compensation or promise of compensation for a mortgage loan, the licensee shall acquire from the customer a signed acknowledgment containing only the following items:

- (a) The name and address of the mortgage business;
- (b) the name and position of the individual presenting the acknowledgment to the customer for a signature;
- (c) a statement in at least 10-point boldface letters that reads as follows:
“(name of licensee) is a mortgage business licensed with the Kansas Office of the State Bank Commissioner in accordance with the laws of the state of Kansas. This license does not represent an endorsement or recommendation of the licensee's products or services by the Office of the State Bank Commissioner. As a consumer, you may submit a complaint or inquiry about this mortgage business by delivering a written statement to the Office of the State Bank Commissioner, 700 Jackson, Suite 300, Topeka, Kansas 66603”; and
- (d) the original signature of the customer or customers and the date on which the signature or signatures were attached. (Authorized by K.S.A. 9-2208 and 9-2209; implementing K.S.A. 9-2208; effective, T-17-4-9-99, April 9, 1999; effective July 16, 1999; amended Oct. 3, 2003.)

K.A.R.17-24-2. Mortgage business fees. At the time of filing any application, or providing any notice that requires the amendment of any license or registration pursuant to the Kansas mortgage business act, K.S.A. 9-2201 et seq., and amendments thereto, each applicant, licensee, or registrant shall remit to the office of the state bank commissioner the following applicable nonrefundable fees:

(a) Application for principal place of business	\$600
(b) Renewal application for principal place of business	\$400
(c) Application for branch office	\$200
(d) Renewal application for branch office	\$200
(e) Application for registration as loan originator	\$75
(f) Renewal application for registration as loan originator	\$50
(g) Amendment of any license or registration	\$25

(Authorized by K.S.A. 2000 Supp. 9-2209, as amended by 2001 HB 2481, § 10; implementing K.S.A. 2000 Supp. 9-2204, 9-2205, 9-2215, as amended by 2001 HB 2481, §§ 5, 6, 15; effective, T-17-4-9-99, April 9, 1999; amended Dec. 21, 2001.)

K.A.R.17-24-3. Continuing education; requirements; waiver. (a) Each individual required to register as a loan originator pursuant to the Kansas mortgage business act, K.S.A. 9-2201 et seq. and amendments thereto, shall annually complete at least eight hours of approved continuing professional education (CPE) as a condition of registration renewal.

(b) Each CPE course shall first be approved by the office of the state bank commissioner (OSBC), or its designee, before granting CPE credit.

(c) CPE courses shall focus on issues of mortgage business, as defined by K.S.A. 9-2201 and amendments thereto, or related industry topics.

(d) One CPE hour shall consist of at least 50 minutes of approved instruction.

(e) Each request for CPE course approval shall be submitted on a form provided by the OSBC. A request for CPE course approval may be submitted by any person, as defined by K.S.A. 9-2201 and amendments thereto.

(f) Evidence of satisfactory completion of approved CPE courses shall be submitted on forms provided by the OSBC. The form may be submitted by the registrant seeking CPE credit or the entity sponsoring the CPE course. Each registrant shall be ultimately responsible for ensuring that CPE credit has been properly submitted to the OSBC and shall maintain verification records in the form of completion certificates or other documents supporting evidence of attendance at approved CPE courses.

(g) Each CPE year shall begin on the first day of October each year and shall end on the 30th day of September the following year.

(h) Continuing professional education hours shall not be carried forward from one year to the next year, except that for the CPE year beginning October 1, 2001, up to eight hours of approved CPE taken in the preceding 10 months may be carried forward for that CPE year.

(i) Each registrant issued a certificate of registration on or after the first day of July of any year shall have until the 30th day of September the following year to comply with annual CPE requirements.

(j) Each registrant who fails to renew the registrant's certificate of registration, in accordance with K.S.A. 9-2205 and amendments thereto, shall obtain all delinquent CPE before receiving a new certificate of registration, unless the new certificate of registration is issued on or after the first day of July following the lapse of the prior certificate of registration.

(k) The requirement for completion of CPE may be waived, or the deadline for completion may be extended, by the OSBC under either of the following circumstances:

(1) The registrant is called to active duty in the armed forces of the United States for a period of time exceeding 120 consecutive days in any CPE year.

(2) The registrant experiences physical disability, illness, or any extenuating circumstances that prevents successful completion of CPE.

(Authorized by and implementing K.S.A. 2000 Supp. 9-2209, as amended by L. 2001, Ch. 88, § 10; effective March 1, 2002.)

K.A.R.17-24-4. Record retention. (a) In any mortgage transaction in which the licensee does not close the mortgage loan in the licensee's name, the licensee shall retain the following documents for at least 25 months following the loan application date:

- (1) The application;
- (2) the good faith estimate;
- (3) the early truth-in-lending disclosure statement;
- (4) any written agreements with the borrower that describe rates, fees, broker compensation, and any other similar fees;
- (5) all advertisements and solicitations containing the information required to be disclosed by K.S.A. 9-2208(c), and amendments thereto;
- (6) an appraisal performed by a Kansas-licensed or Kansas-certified appraiser completed within 12 months before the loan closing date, or the total appraised value of the real estate as reflected in the most recent records of the tax assessor of the county in which the real estate is located;
- (7) the settlement statement; and
- (8) all paid invoices for appraisal, title work, credit report, and any other closing costs.

(b) In any mortgage transaction in which the licensee provides any money to fund the loan or closes the mortgage loan in the licensee's name, the licensee shall retain both the documents required in subsection (a) of this regulation and the following documents, for at least 25 months from the mortgage loan closing date:

- (1) The high loan-to-value notice required by K.S.A. 16a-3-207 and amendments thereto, if applicable to the loan;
- (2) the final truth-in-lending disclosure statement, including an itemization of the amount financed and an itemization of any prepaid finance charges;
- (3) any credit insurance requests and insurance certificates;
- (4) the note and any other applicable contract addendum or rider;
- (5) a copy of the filed mortgage or deed;
- (6) a copy of the title policy or search;
- (7) the assignment of the mortgage and note, if applicable;
- (8) the initial escrow statement, if applicable;
- (9) the right of the rescission notice or waiver, if applicable;
- (10) the transfer of mortgage servicing disclosure, if applicable; and
- (11) a complete payment history on serviced accounts, including the following:

- (A) An explanation of transaction codes, if used;
- (B) the principal balance;
- (C) the payment amount;
- (D) the payment date; and
- (E) the distribution of the payment amount to the following:
 - (i) Interest;
 - (ii) principal;
 - (iii) late fee; and
 - (iv) escrow; and

(F) any other amounts that have been added to, or deducted from, a consumer's account.

(c) In addition to meeting the requirements specified in subsections (a) and (b) of this regulation, each licensee shall retain for at least the previous 25 months the documents related to the general business activities of the licensee, which shall include the following:

(1) Advertising records, including copies of printed advertisements or solicitations;

(2) the business account check ledger or register;

(3) all financial statements, balance sheets, or statements of condition;

(4) all escrow account ledgers and related deposit statements as required by K.S.A. 9-2213, and amendments thereto;

(5) all lease agreements for Kansas locations; and

(6) a schedule of the licensee's fees and charges. (Authorized by K.S.A. 9-2209; implementing K.S.A. 9-2208, 9-2213, and 9-2216; effective Oct. 31, 2003.)

Article 5.—CREDIT INSURANCE

K.A.R.40-5-1 and 40-5-2. (Authorized by K.S.A. 16-507, 16-413, 40-103; effective Jan. 1, 1966; revoked Jan. 1, 1974.)

K.A.R.40-5-3. (Authorized by K.S.A. 16-413, 16-507, 40-103, 40-234, K.S.A. 1965 Supp. 40-433; effective Jan. 1, 1966; revoked Jan. 1, 1974.)

K.A.R.40-5-4. (Authorized by K.S.A. 40-103, K.S.A. 1969 Supp. 16-413, 16-507, 40-216, 40-434; effective Jan. 1, 1966; amended Jan. 1, 1970; revoked Jan. 1, 1974.)

K.A.R.40-5-5. (Authorized by K.S.A. 40-103, 40-415; effective Jan. 1, 1966; revoked Jan. 1, 1974.)

K.A.R.40-5-6. Credit insurance; property and liability; insurance sold in connection with the uniform consumer credit code; types. The following types of insurance shall be authorized for sale:

(a) For motor vehicles:

(1) Fire, theft, windstorm coverage; or comprehensive coverage, including fire, theft and windstorm;

(2) collision coverage with a deductible of \$50 or more; and

(3) bodily injury and property damage liability insurance in accordance with K.S.A. 16a-4-303.

(b) For real property and tangible personal property, other than motor vehicles:

(1) Fire, including lightning coverage and extended coverage. Extended coverage shall be limited to perils of windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles, and smoke;

(2) other perils as set out in the extended coverage endorsement approved by the Kansas insurance commissioner for use by a fire or multiple line insurance company; and

(3) bodily injury and property damage liability insurance. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-301, 16a-4-303; effective Jan. 1, 1966; amended Jan. 1, 1969; amended Jan. 1, 1974; amended May 1, 1986.)

K.A.R.40-5-7. Credit insurance; property and liability; insurance sold in connection with Kansas uniform consumer credit code; requirements. (a) Credit property and liability insurance sold in connection with the Kansas uniform consumer credit code shall be written by an insurance company authorized to do business in the state of Kansas.

(b) If insurance covering the purchaser's interest in goods is purchased by the mortgagee or conditional sale vendor, the mortgagee or conditional sale vendor shall, within 30 days after the execution of the retail installment contract, send or cause to be sent to the purchaser a policy, or policies, or certificate, or

certificates of insurance, written by an insurance company authorized to do business in this state. The contract shall clearly set forth the amount of the premium, the kind or kinds of insurance, the coverages and terms, exceptions, limitations, restrictions and conditions of the contract or contracts.

(c) Each individual policy or certificate of insurance covering the interest of both purchaser and mortgagee or conditional sale vendor shall be issued in the name of the purchaser where the premium is paid either directly or indirectly by the purchaser. The interest of a mortgagee or conditional sale vendor shall be set forth clearly in each policy and a mortgagee or conditional sale vendor shall participate in loss payments only as its interest may appear. In the event of cancellation or premium adjustment, unearned premium shall be returned:

(1) Directly to the purchasers; or

(2) to the mortgagee or conditional sale vendor where the insurer has notice of assignment of unearned premium by the purchaser to the mortgagee or conditional sale vendor.

(d) Each insurance contract sold in connection with a loan subject to the Kansas uniform consumer credit code shall be written in accordance with the rates, rules, and forms filed with and approved by the commissioner of insurance.

(e) Any differential in premium rates shall not be charged based on distinction between financed and nonfinanced property.

(f) A creditor may not contract for or receive a separate charge for insurance against loss or damage of property unless:

(1) The insurance covers a substantial risk of loss or damage to property related to the credit transaction;

(2) the amount, terms and conditions of the insurance are reasonable in relation to the character and value of the property insured or to be insured;

(3) the term of insurance is reasonable in relation to the terms of credit;

(4) the property is purchased pursuant to a credit card or an open-end credit transaction; or

(5) the amount financed exclusive of charges for insurance is \$300 or more, and the value of the property is \$300 or more. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-301; effective Jan. 1, 1966; amended Jan. 1, 1974; amended May 1, 1975; amended May 1, 1979; amended May 1, 1986.)

K.A.R.40-5-8. Same; vendors single interest. Insurers are prohibited from selling to purchasers, or mortgagors of automobile vendors, single interest coverages including loss by wrongful conversion, embezzlement, or secretion or any other vendors single interest coverage in which a purchaser or mortgagor has no insurable interest. When a vendor single interest coverage is included in an insurance policy covering the interest of a purchaser or mortgagor, the insurance contract shall clearly indicate that the premium for the vendor single interest coverage has been charged to the vendor or mortgagee. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-202; effective Jan. 1, 1966; amended Jan. 1, 1974; amended May 1, 1986.)

K.A.R.40-5-9. Credit insurance; fire, casualty and allied lines; mortgagors and mortgagees; conditional sales vendors; and vendors; requirements. (a)

All insurers writing insurance specified in Kansas Statutes Annotated, chapter 40, articles 9, 10, 11, 12, and 16 shall be prohibited from issuing policies covering the interests of a mortgagor and a mortgagee or conditional sales vendor where the mortgagee or conditional sales vendor is, in any manner, the named insured on the policy.

(b) The policy shall be issued only in the name of the mortgagor and mortgagee or conditional sales vendor's interest in the policy shall be limited to participation in recoveries under the perils insured as its interest may appear.

(c) The mortgagee or conditional sales vendor shall not be entitled to the return of unearned premium unless the insurer has notice of assignment of unearned premium by the mortgagor to the mortgagee or conditional sales vendor. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-301; effective Jan. 1, 1966; amended Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986.)

K.A.R.40-5-10. Credit insurance; fire and extended coverage; issuance for single indivisible premium; requirements. Fire and extended coverage insurance permitted by Kansas administrative regulation 40-5-6 may be issued for a single indivisible premium subject to the following requirements:

(a) The location of the property insured shall be extended by the policy provisions to insure the property at any location within the continental limits of the United States.

(b) The maximum amount of insurance permitted under this policy shall not exceed \$10,000.

(c) The insurer shall be required to obtain a statement from the insured that indicates all of the following:

(1) No other valid and collectible insurance on the insured property exists.

(2) The purchase of insurance from any insurer or agent was the choice of the insured.

(3) The purchase of insurance in connection with the credit transaction is entirely voluntary and not a prerequisite to the extension of credit.

(d) The creditor shall not refuse or decline the insurance provided by the consumer except for reasonable cause. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-301, 16a-4-111; effective Jan. 1, 1966; amended Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; amended May 1, 1987; amended Oct. 30, 1998.)

K.A.R.40-5-11. (Authorized by K.S.A. 40-103, K.S.A. 1969 Supp. 16-211; effective, E-69-20, Sept. 1, 1969; effective Jan. 1, 1970; revoked Jan. 1, 1974.)

K.A.R.40-5-12. Consumer credit insurance; termination of coverage; prohibited contractual provisions. (a) A policy or certificate of consumer credit insurance as defined in K.S.A. 16a-4-103, that may be issued, delivered, renewed or continued within or outside this state covering residents of this state,

shall not contain provisions which permit coverage to be terminated by the insurer with respect to any policyholder, certificate holder or other insured person unless:

- (1) The policy or certificate is formally and specifically terminated;
- (2) the insured and any affected certificate holder is provided not less than ten days written notice of termination; and
- (3) any unearned premium is returned to the borrower or credited to the account of the consumer as required by K.S.A. 16a-4-108.

(b) The restrictions imposed by section (a) of this regulation shall not apply with respect to transactions permitted or required by K.S.A. 16a-4-108.

(Authorized by K.S.A. 40-103; 16a-4-112; implementing K.S.A. 16a-4-203; effective Nov. 29, 1993.)

K.A.R.40-5-13 to 40-5-100. Reserved.

K.A.R.40-5-101. (Authorized by K.S.A. 16a-4-112; effective Jan. 1, 1974; revoked May 1, 1979.)

K.A.R.40-5-102. Consumer credit insurance; definitions. (a) "Credit life insurance" means insurance on the life of a consumer pursuant to or in connection with a consumer credit transaction.

(b) "Credit accident and health insurance" means insurance, written in connection with a consumer credit transaction, to provide benefits in the event of disability of a consumer.

(c) "Claims incurred" means claims actually paid during the year, appropriately adjusted for the yearly change in claim reserves, including reserves for reported claims in process of settlement and claims incurred but not reported.

(d) "Claims" means benefits payable on death or disability excluding loss adjustment expense, claims settlement costs, or other additions of any kind.

(e) "Premiums earned" means the total gross premiums which become due to the insurance company, without reduction of any kind, except the premiums refunded or adjusted on account of termination of coverage, and appropriately adjusted for changes in gross unearned premiums in force upon a pro rata basis or a "sum of the digits" basis consistent with K.A.R. 40-5-108(a).

(f) "Commissioner" means the commissioner of insurance of the state of Kansas. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1983; amended May 1, 1986.)

K.A.R.40-5-103. Same; rights and treatment of consumers. (a) Multiple plans of insurance. If a creditor makes available to consumers more than one plan of credit life insurance, or more than one plan of credit accident and health insurance, all appropriate consumers shall be informed of all available plans.

(b) Substitution. When a creditor requires credit life insurance, credit accident and health insurance, or both, as additional security for an indebtedness, the debtor shall be given the option of furnishing the required

amount of insurance through existing policies of insurance, or procuring and furnishing the required coverage through any insurer authorized to transact insurance business in this state. In such a case, the debtor shall be informed by the creditor of the right to provide alternative coverage before the transaction is completed.

(c) Evidence of coverage.

(1) All consumer credit insurance shall be evidenced by an individual policy, or in the case of group insurance, by a certificate of insurance. The individual policy or certificate of insurance shall be delivered to the consumer in accordance with K.S.A. 16a-4-105.

(2) Policy provisions.

(A) Each insurance policy or certificate used in connection with a loan or credit transaction shall contain:

(i) the name and home office address of the insurer;

(ii) the name or names of the debtor;

(iii) the premium, or amount of payment by the debtor, if any, for credit life insurance and for credit accident and health insurance;

(iv) a statement specifying when the insurance of the debtor will become effective and its termination conditions, or the month, day, and year the insurance begins and terminates;

(v) any exceptions, limitations, or restrictions; and

(vi) a statement that the life of the debtor is insured under the policy and that any death benefit paid by reason of death of the debtor shall be applied first to reduce or extinguish the indebtedness.

(B) In addition to the requirements of paragraph (A), each insurance policy issued in connection with a credit transaction or loan shall set forth the kind or kinds of insurance included, the coverages, and all the terms, exceptions, limitations, restrictions, and conditions of the contract or contracts of insurance. Certificates shall contain all provisions of the master policy applicable to the debtor.

(C) The requirements of paragraph (2) are in addition to other requirements imposed by law concerning policy forms and their approval.

(3) Settlement of claims. Separate credit life insurance payments shall be made to the creditor, beneficiary, and to the named second beneficiary, if any, as their interests may appear. If the policy contains no provision for the designation of a second beneficiary, the insurance shall go to the estate of the insured. Each payment made to the creditor shall reduce the indebtedness.

(d) Termination of coverage.

(1) If a debtor is covered by a group insurance policy on which a single premium is charged for insurance, the policy shall provide that the group policy may terminate only with respect to debtors who would otherwise become eligible for coverage after the date of termination, and that insurance coverage with respect to any debtor insured under the policy shall be continued for the entire period for which a single charge has been made, subject to subsections (g) and (h).

(2) If a debtor covered by a group credit insurance policy is charged for insurance on a monthly outstanding balance basis, the policy shall provide that, if the policy is terminated, the insured debtor shall be notified that coverage will terminate not less than 15 days after mailing of the notice. If notice is not given to each insured debtor, coverage shall continue for 30 days from the date of notice to the policyholder, except where replacement of the coverage by the same or another insurer in the same or greater amount takes place without lapse of coverage. The notice to insured debtors required in this paragraph shall be given by the insurer, or at the option of the insurer, by the creditor.

(e) Interest on premiums. If the creditor adds identifiable insurance charges or premiums for consumer credit insurance to the indebtedness, and any direct or indirect finance, carrying, credit, or service charge is made to the consumer on the insurance charges or premiums, the creditor shall remit and the insurer shall collect on a single premium basis only.

(f) Renewal or refinancing of indebtedness. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of termination prior to scheduled maturity, a refund shall be paid or credited to the debtor as provided in K.A.R. 40-5-108. In any renewal or refinancing of indebtedness, the effective date of the coverage of any policy provision shall be the first date on which the debtor became insured under the policy covering the indebtedness which was renewed or refinanced, at least in the amount of the indebtedness outstanding at the time of renewal and refinancing of the debt.

(g) Voluntary prepayment of indebtedness. If a debtor prepays indebtedness for a reason other than death or a lump sum disability payment:

(1) Any credit life insurance covering an indebtedness shall be terminated and an appropriate refund shall be paid or credited to the debtor by the creditor at the time of prepayment pursuant to K.A.R. 40-5-108; and

(2) any credit accident and health insurance covering an indebtedness shall be terminated and an appropriate refund shall be paid or credited to the debtor by the creditor at the time of prepayment. If the indebtedness is prepaid by the debtor during any period of disability for which benefits are payable, the disability coverage shall continue in force and the insurer shall make periodic payments directly to the debtor until the disability no longer exists or until the end of the term of insurance, whichever occurs first.

(h) Involuntary prepayment of indebtedness. If an indebtedness is prepaid by the proceeds of a credit life insurance policy covering the debtor or by a lump sum payment of a disability claim under a credit accident and health insurance policy covering the debtor, the insurer shall ensure that the following refunds are made by the creditor at the time of prepayment:

(1) In case of prepayment by the proceeds of a credit life insurance policy, an appropriate refund under the credit accident and health insurance coverage; and

(2) in the case of prepayment by a lump sum disability claim, an appropriate refund under the credit life insurance coverage. (Authorized by

K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986.)

K.A.R.40-5-104. Same; coverage without separate charge. (a) If no separate charge is made to the consumer for consumer credit insurance, the consumer shall be charged a specific amount for insurance if an identifiable charge for insurance is disclosed in the credit or other instrument furnished the consumer setting out the financial elements of the credit transactions, or if there is a differential in the finance charge (as defined in section 16a-1-301(19)) made to consumers in like circumstances, except for their insured or non-insured status.

(b) The rate standards set out in K.A.R. 40-5-107 shall apply to the premiums for consumer credit insurance. The insurer issuing the coverage must obtain form and rate approval by the commissioner. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1986.)

K.A.R.40-5-105. Same; filing requirements. (a) Each policy form, certificate of insurance, notice of proposed insurance, application for insurance, endorsement, and rider to be delivered or issued for delivery in this state and the schedule of premium rates or charges pertaining thereto shall be filed with the commissioner as required by K.S.A. 16a-4-203 (UCCC), including those approved prior to the effective date of this regulation.

(b) Each filing shall be accompanied by supporting information which establishes that the rates meet the standards set out in K.A.R. 40-5-107 or are the actuarial equivalent.

(c) When forms providing benefits as described in K.A.R. 40-5-107 are filed at or below the rates described, supporting information shall not be submitted. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1986.)

K.A.R.40-5-106. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; revoked Aug. 3, 2001.)

K.A.R.40-5-107. Same; credit insurance rates and forms. (a) The basic test of the reasonableness of the relation of benefits to the premium charges shall be an anticipated loss ratio of "claims incurred" to "premiums earned" of not less than 50 percent. Due consideration shall be given to a reasonable allowance for expenses.

(b) Benefits shall not be reasonable in relation to the premium charged if the premiums or premium rates filed with the commissioner exceed the following, or actuarially equivalent, rates:

(1) Credit life insurance.

(A) For decreasing term life insurance the rate shall not exceed \$.65 per \$100 insurance per annum;

(B) for joint life insurance the rate shall not exceed one and two-thirds of the appropriate single life rate;

(C) for level term life insurance the rate shall not exceed \$1.20 per \$100 insurance per annum;

(D) for monthly outstanding balance insurance the rate shall not exceed \$1.00 per month per \$1,000 of insurance; and

(E) The rates shall be presumed reasonable only if the policies contain:

(i) No exceptions, limitations or exclusions, except for suicide, during the first two years; and

(ii) no age restriction or only age restrictions making ineligible for coverage debtors 65 years or over at the time the indebtedness is incurred, or debtors who have attained age 66 years or over on the maturity date of the indebtedness.

(2) Credit accident and health insurance.

(A) For credit accident and health insurance the following single premium rates per \$100 initial insured indebtedness:

NONRETROACTIVE BASIS

Number of months in

Which indebtedness is repayable

	14 day elimination period	30 day elimination period
6 or less	1.00	.40
12	1.40	.80
24	2.20	1.60
36	3.00	2.40
48	3.50	2.90
60	3.90	3.30

RETROACTIVE BASIS

	14 day elimination period	30 day elimination period
6 or less	1.80	1.30
12	2.20	1.70
24	3.00	2.50
36	3.80	3.30
48	4.30	3.80
60	4.70	4.20

(B) Rates for policies of credit accident and health insurance, the premiums for which are paid other than on a single premium basis, for benefits on a basis different than as provided in (C) below, or for different monthly durations than illustrated, shall be actuarially consistent with the rates specified above.

(C) The premium rates specified shall be for policies which contain no exclusion for pre-existing conditions except for those conditions which manifest themselves to the insured by requiring medical diagnosis or treatment, or would cause a reasonably prudent person to seek medical diagnosis or treatment within six months preceding the effective date of the coverage as to the insured debtor,

and which cause loss within the six months following effective date of coverage. Disabilities thereafter resulting from the condition shall be covered.

(c) Each contract to which the foregoing rules apply may contain provisions excluding or restricting coverage in the event of total disability resulting from pregnancy, intentionally self-inflicted injuries, flight in nonscheduled aircraft, or war. The policies may contain the same age limitation on eligibility as set forth for credit life policies.

(d) Each new policy or certificate of consumer credit insurance issued after the effective date of this regulation shall not be at a rate exceeding any provision of this regulation.

(e) Each insurer may receive approval of a higher premium rate or schedule of rates to be used in connection with a particular policy form providing insurance on the debtors of a creditor or a class or classes of debtors if the insurer demonstrates, to the satisfaction of the commissioner, that the mortality or morbidity experience which may reasonably be anticipated shall develop a loss ratio in excess of 60 percent when the rate standards in K.A.R. 40-5-107 are used.

(f) On the basis of mortality or morbidity experience reported under K.A.R. 40-5-109, the premium rates may be continued, allowed to be increased, or required to be decreased. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; amended May 1, 1988.)

K.A.R.40-5-108. Same; refunds. (a) Formulas for computing refunds of credit insurance premiums shall be acceptable to the commissioner for coverage as follows:

(1) Pro rata method. The pro rata unearned gross premium method for level term credit life insurance, credit accident and health insurance where the insured is covered for a constant maximum indemnity for a given period of time, after which the maximum indemnity begins to decrease in even amounts per month, and for credit insurance coverages under which premiums are collected from the consumer on a basis other than the single premium basis.

(2) Sum of the digits method. The "rule of 78" or "sum of the digits" unearned premium method of coverages other than those included in paragraph (1).

(b) At the option of the insurer but consistent with subsection (a):

(1) Any charge for credit insurance may not be made for the first 15 days of a loan month and a full month may be charged for 16 days or more of a loan month; or

(2) a refund may be made on a pro rata basis for each day within the loan month.

(c) The requirements of K.S.A. 16a-4-108 that refund formulas be filed with the commissioner shall be considered fulfilled if the refund formulas shall be set forth in the individual policy or group certificate filed with the commissioner. If the appropriate refund formula is the "sum of the digits" formula, commonly known as the "rule of 78," reference by either phrase shall be sufficient.

(d) Any insurance refund need not be made to the consumer if all refunds and credits due to the consumer amount to less than \$1. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-108; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; amended May 1, 1988; amended July 10, 1989.)

K.A.R.40-5-109. Same; experience reports. Each insurer doing consumer credit insurance business in this state shall annually file with the insurance department a report of credit life and credit accident and health business written on a calendar year basis. This report shall utilize the credit insurance supplement-annual statement blank promulgated by the national association of insurance commissioners June 1985. The filing shall be made each year not later than the filing date stated on the most recently adopted "NAIC Credit Insurance Experience Exhibit Form of 1985," which is hereby adopted by reference. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; amended May 1, 1988; amended Feb. 9, 1996.)

K.A.R.40-5-110. Same; supervision of credit insurance operations. (a) Each insurer transacting credit insurance in this state shall be responsible to conduct a reasonable annual review of the procedures of each creditor with respect to credit insurance business to insure compliance with the insurance laws of this state and the regulations promulgated by the commissioner.

(b) The review required in subsection (a) shall include a determination that all of the following conditions are met:

(1) The proper charges are being made by the creditor.

(2) The proper refunds are being made.

(3) All claims are being filed and properly handled.

(4) All amounts of insurance payable on death in excess of the amounts necessary to discharge the indebtedness are properly refunded.

(5) The creditor is promptly and fairly processing complaints concerning credit insurance operations and is maintaining proper procedures for, and records of, the complaints processed.

(c) Each insurer shall provide the results of the annual reviews for inspection during an examination, upon the request of the commissioner or the commissioner's designee. (Authorized by K.S.A. 40-103 and K.S.A. 2002 Supp. 16a-4-112; implementing K.S.A. 16a-4-103, 16a-4-104, 16a-4-107, 16a-4-108, and K.S.A. 2002 Supp. 16a-4-112; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; amended Oct. 17, 2003.)

K.A.R.40-5-111. (Authorized by K.S.A. 40-103, 16a-4-112; implementing K.S.A. 16a-4-101 through 16a-4-203; effective Jan. 1, 1974; amended May 1, 1979; amended May 1, 1986; revoked Aug. 3, 2001.)

Article 1.—INTEREST AND CHARGES

K.A.R.75-1-1 to 75-1-5. (Authorized by K.S.A. 16-403; effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 2.—PRECOMPUTED NOTES

K.A.R.75-2-1 to 75-2-7. (Authorized by K.S.A. 16-403; effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 3.—INSURANCE; CONSUMER LOAN

K.A.R.75-3-1 to 75-3-6. (Authorized by K.S.A. 16-403; effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 4.—RECEIPTS UNDER LOAN ACT

K.A.R.75-4-1 to 75-4-4. (Authorized by K.S.A. 16-403; effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 5.—RECORDS UNDER LOAN ACT

K.A.R.75-5-1 to 75-5-4. (Authorized by K.S.A. 16-403; effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 6.—UNIFORM CONSUMER CREDIT CODE

K.A.R.75-6-1. [16a-1-109.] Making transactions outside of the scope of the Kansas uniform consumer credit code subject to same. The parties to a sale, lease, loan or modification thereof which is not a consumer credit transaction may agree in a writing signed by the parties to make the transaction subject to the Kansas uniform consumer credit code. Any such agreement may be included in the contractual agreement evidencing the credit transaction, and when so included, no additional signatures shall be required to evidence the agreement to include the transaction within the scope of the Kansas uniform consumer credit code other than the signatures normally used in executing the credit transaction. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975.)

K.A.R.75-6-2. (Authorized by K.S.A. 16a-6-104(e); implementing K.S.A. 16a-1-301(1); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; amended May 1, 1984; revoked July 14, 2000.)

K.A.R.75-6-3 to 75-6-4. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Aug. 9, 1996.)

K.A.R.75-6-5. (Authorized by K.S.A. 16a-6-104(e), 16a-2-510(5); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked May 1, 1982.)

K.A.R.75-6-6. (Authorized by and implementing K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; amended April 18, 1994; revoked July 14, 2000.)

K.A.R.75-6-7 to 75-6-8. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Aug. 9, 1996.)

K.A.R.75-6-9. Additional charges. (a) The charges enumerated in K.S.A. 16a-2-501 (1)(d) shall be considered “additional charges in connection with a consumer credit transaction” if such charges:

(1) are made under conditions which permit their exclusion from the definition of “finance charge” under the provision of K.S.A. 16a-1-301 (18)(b)(iii); and

(2) are payable to a third party who is not related to the creditor, except as allowed by K.S.A. 16a-1-301 (7)(b).

(b) Additional charges shall be considered “in connection with a consumer credit transaction,” as used in K.S.A. 16a-2-501 and subsection (a) of this regulation if:

(1) in relation to insurance premiums, the creditor or a person related to the creditor receives a commission on any insurance sold on the same day on which the consumer credit transaction was consummated; or

(2) in relation to all other additional charges, such charges are made for goods, services, or both rendered within one month before or after the consummation of the consumer credit transaction. (Authorized by K.S.A. 16a-6-104(e); implementing K.S.A. 16a-2-501(d); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; amended May 1, 1985; amended Sept. 20, 1996.)

K.A.R.75-6-10. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Aug. 9, 1996.)

K.A.R.75-6-11. (Authorized by K.S.A. 16a-6-104(e); implementing K.S.A. 16a-2-502, as amended by 1992 H.B. 2838, section 1; effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; amended Aug. 6, 1990; amended Sept. 8, 1992; revoked Aug. 9, 1996.)

K.A.R.75-6-12. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Oct. 17, 1988.)

K.A.R.75-6-13. (Authorized by K.S.A. 1973 Supp. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Oct. 17, 1988.)

K.A.R.75-6-14. Reserved.

K.A.R.75-6-15. (Authorized by K.S.A. 16a-6-104(1)(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; amended, E-77-28, May 21, 1976; amended Feb. 15, 1977; amended, E-78-13, April 21, 1977; amended May 1, 1978; revoked May 1, 1982.)

K.A.R.75-6-16 to 75-6-18. (Authorized by K.S.A. 16a-6-104(e); effective, E-74-13, Jan. 1, 1974; effective May 1, 1975; revoked Aug. 9, 1996.)

K.A.R.75-6-19. (Authorized by K.S.A. 16a-6-104(e), 16a-2-510(5); effective, E-74-17, April 5, 1974; effective May 1, 1975; revoked Jan. 16, 1989.)

K.A.R.75-6-20 to 75-6-22. (Authorized by K.S.A. 16a-6-104(e); effective May 1, 1975; revoked May 1, 1982.)

K.A.R.75-6-23. [16a-3-305(1)]. No assignment of earnings. When a debtor authorizes a deduction from his earnings by the debtor's employer to be paid to the employee's creditor in accordance with the provision permitting such a deduction in K.S.A. 16a-3-305(1), the authorization providing for such "earnings deduction" shall be in a separate printed form or writing apart from the contract. Such authorization shall contain a clear and conspicuous notice to the debtor that the "earnings deduction" that the debtor is authorizing may be revoked by the debtor at any time, and shall also provide appropriate wording so that the form may be used as a form for revoking any such authorization. A copy must be delivered to the debtor at the time of execution. In no such authorization may a reference to an "earnings deduction" be termed a wage assignment. For the purposes of remedies and penalties a violation of this regulation shall constitute a violation of K.S.A. 16a-3-305. (Authorized by K.S.A. 1976 Supp. 16a-6-104(1)(e); effective Feb. 15, 1977.)

K.A.R.75-6-24. (Authorized by and implementing K.S.A. 16a-2-401a; effective, E-79-9, April 20, 1978; effective May 1, 1979; amended, E-81-15, June 25, 1980; amended May 1, 1981; amended, T-83-16, July 1, 1982; amended May 1, 1983; amended, T-85-18, July 1, 1984; amended May 1, 1985; amended, T-87-14, June 6, 1986; amended May 1, 1987; amended, T-89-22, May 27, 1988; amended Oct. 1, 1988; amended July 23, 1990; amended July 20, 1992; amended July 1, 1998; revoked July 14, 2000.)

K.A.R.75-6-25. (Authorized by K.S.A. 1978 Supp. 16a-2-401a(3), 16a-6-104(1)(e); effective May 1, 1979; revoked Aug. 9, 1996.)

K.A.R.75-6-26. Federal consumer credit laws. (a) Each creditor subject to the federal laws and regulations set forth below shall make the disclosures required under these laws and regulations, and shall comply with all other terms and provisions of these laws and regulations applicable to the creditor. The pertinent federal laws and regulations, which are hereby adopted by reference, shall be the following:

(1) Title I of the consumer credit protection act, 15 USC § 1601 et seq., as amended, and in effect on January 1, 2000;

(2) regulation M, 12 CFR part 213, including all appendices, as amended and in effect on January 1, 2000; and

(3) regulation Z, 12 CFR part 226, including all appendices, as amended and in effect on March 31, 2000.

(b) The terms “amount financed” and “annual percentage rate,” as used in the Kansas uniform consumer credit code, shall have the same meanings given to these terms in, and shall be interpreted in a manner that is consistent with the usage and treatment of these terms in, and shall be calculated in a manner that conforms to the following:

(1) Title I of the consumer credit protection act, 15 USC § 1601 et seq., as amended, and in effect on January 1, 2000; and

(2) regulation Z, 12 CFR part 226, including all appendices, as amended and in effect on March 31, 2000.

(c) The terms “finance charge” and “prepaid finance charge,” as used in the Kansas uniform consumer credit code, shall have substantially the same meanings given to these terms in, and shall be interpreted in a manner that is consistent with the usage and treatment of these terms in, and shall be calculated in a manner that conforms to the following:

(1) Title I of the consumer credit protection act, 15 USC § 1601 et seq., as amended, and in effect on January 1, 2000; and

(2) regulation Z, 12 CFR part 226, including all appendices, as amended and in effect on March 31, 2000.

(d) Notwithstanding subsection (c), the following shall not be included in the meaning of the terms “finance charge” and “prepaid finance charge” as used in the Kansas uniform consumer credit code:

(1) The actual fees paid a public official or agency of the state or federal government, for filing, recording or releasing any instrument relating to the debt; and

(2) bona fide and reasonable expenses incurred by the lender in connection with the making, closing, disbursing, extending, readjusting, or renewing of the debt that are payable to third parties not related to the lender. However, reasonable fees for an appraisal made by the lender or related party shall be permissible. (Authorized by and implementing K.S.A. 1999 Supp. 16a-1-301, and K.S.A. 1999 Supp. 16a-6-117; effective, E-82-16, Aug. 12, 1981; amended, T-83-2, Jan. 7, 1982; amended, T-83-6, April 14, 1982; amended, T-84-10, May 25, 1983; amended, T-85-15, May 3, 1984; amended, T-86-12, May 1, 1985; amended, T-87-14, June 6, 1986; amended, T-88-15, July 1, 1987; amended, T-75-7-29-88, July 29, 1988; amended Sept. 19, 1988; amended June 11, 1990; amended Oct. 28, 1991; amended Sept. 8, 1992; amended March 7, 1997; amended Dec. 12, 1997; amended July 14, 2000.)

K.A.R.75-6-27. (Authorized by K.S.A. 16a-6-104(e); implementing K.S.A. 16a-2-510(4); effective, T-83-16, July 1, 1982; effective May 1, 1983; revoked Oct. 17, 1988.)

K.A.R.75-6-28. (Authorized by K.S.A. 16a-6-104(e) and implementing K.S.A. 1985 Supp. 16a-2-401, as amended by 1986 HB No. 3018; effective, T-87-19, July 23, 1986; amended May 1, 1987; revoked Oct. 17, 1988.)

K.A.R.75-6-29. (Authorized by K.S.A. 16a-6-104(1)(e) and implementing K.S.A. 1987 Supp. 16a-2-510(3)(4)(5), as amended by L. 1988, Ch. 86, Sec. 5; effective Jan. 16, 1989; revoked Aug. 9, 1996.)

K.A.R.75-6-30. Application; place of business. (a) Each person who proposes to engage in any of the activities for which a license is required under K.S.A. 16a-2-301, and amendments thereto, shall first apply for and obtain a license for each of the person's places of business. Each applicant for a license and each licensee seeking to license one or more additional places of business shall complete and submit a license application for each place of business.

(b) Each location at which an applicant or licensee regularly performs either of the following activities shall constitute a place of business for the purpose of this regulation:

(1) Makes a supervised loan to a to a Kansas consumer or makes any loan for personal, family, or household purposes to a Kansas consumer; or

(2) accepts payments on loans made to Kansas consumers that the applicant or licensee has taken assignment of for direct collection.

(c) Any location in Kansas at which an applicant or licensee places an automated loan machine shall be deemed a location where an applicant or licensee makes a supervised loan. (Authorized by and implementing K.S.A. 2004 Supp. 16a-2-302(5), as amended by L. 2005, ch. 144, sec. 9; effective July 14, 2000; amended Jan. 6, 2006.)

K.A.R.75-6-31. Bond requirements. (a) Each applicant for a supervised loan license shall submit a bond in the following amounts:

1) for any applicant who engages in or intends to engage in making loans secured by an interest in real property or contracts for deed, \$250,000.00 for the first licensed place of business, plus an additional \$25,000.00 for each additional licensed place of business; or

2) for all other applicants, \$100,000.00 for the first licensed place of business, plus an additional \$25,000.00 for each additional licensed place of business.

(b) The total bond requirement for each applicant shall not exceed \$300,000.00, unless the administrator determines, after consideration of the factors specified in subsection (c), that special circumstances require a higher bond amount in order to adequately protect Kansas consumers.

(c) In determining whether a higher bond amount is necessary, the following factors shall be considered by the administrator:

(1) Whether the business proposed to be conducted by the applicant involves technology or methods that may require additional regulatory oversight by the administrator;

(2) whether the applicant has been the subject of regulatory or disciplinary actions by the administrator, any regulatory body of this state or any other state, or any federal regulatory body; or

(3) whether the applicant's structure, business activities, or operations possess elements of risk that may require additional regulatory oversight by the administrator. (Authorized by K.S.A. 2004 Supp.16a-2-302(1)(a), as amended by L. 2005, ch. 144, sec. 9; implementing K.S.A. 2004 Supp.16a-2-302(2), as amended by L. 2005, ch. 144, sec. 9; effective July 14, 2000; amended Jan. 6, 2006.)

K.A.R.75-6-32. Notification. (a) Each person subject to K.S.A. 16a-6-201 through K.S.A. 16a-6-203, and amendments thereto, shall file notification with the administrator within 30 days after commencing business in Kansas and, thereafter, on or before April 30 of each year. The notification shall be submitted on a form provided by the administrator.

(b) If the business's name, status, or list of locations contained in the notification becomes inaccurate after filing, the person shall notify the administrator in writing within 30 days of the date of the change. (Authorized by K.S.A. 2000 Supp. 16a-6-104; implementing K.S.A. 2000 Supp. 16a-6-202; effective Feb. 23, 2001.)

K.A.R.75-6-33. Record retention. (a) Each licensee shall retain the documentation specified in this subsection for two years after making the final entry to each loan. If the loan is a revolving loan account, this two-year period shall be measured from the date of each entry:

- (1) The application;
- (2) the good faith estimate;
- (3) the settlement statement;
- (4) an appraisal performed by a Kansas-licensed or Kansas-certified appraiser completed within 12 months before the loan closing date, or the total appraised value of the real estate, as reflected in the most recent records of the tax assessor of the county in which the real estate is located;
- (5) the high loan-to-value notice required by K.S.A. 16a-3-207 and amendments thereto, if applicable to the loan;
- (6) if applicable, the special disclosures required by regulation Z in 12 CFR 226.32(c) and 226.34(a)(2), as amended and in effect on January 1, 2003, which are hereby adopted by reference;
- (7) any written agreements with the borrower that describe rates, fees, broker compensation, and any other similar fees;
- (8) the note and any other applicable contract addendum or rider;
- (9) a copy of the filed mortgage or deed;
- (10) a copy of the title policy or search;
- (11) the early and final truth-in-lending disclosure statements, including an itemization of the amount financed and an itemization of any prepaid finance charges;
- (12) any credit insurance requests and insurance certificates;

(13) all paid invoices for appraisal, title work, credit report, and any other closing costs;

(14) the right of rescission notice or waiver;

(15) the transfer of mortgage servicing disclosure, if applicable;

(16) a complete payment history on serviced accounts, including the following:

(A) An explanation of transaction codes, if used;

(B) the principal balance;

(C) the payment amount;

(D) the payment date;

(E) the distribution of the payment amount to the following:

(i) Interest;

(ii) principal;

(iii) late fee; and

(iv) escrow; and

(F) any other amounts that have been added to, or deducted from, a consumer's account;

(17) the assignment of the mortgage and note, if applicable; and

(18) the initial escrow statement, if applicable.

(b) In addition to meeting the requirements of subsection (a), each licensee shall maintain the following information for at least the previous 24 months:

(1) A log of all accounts paid by credit insurance; and

(2) a log of repossessed accounts. (Authorized by K.S.A. 2002 Supp. 16a-6-104; implementing K.S.A. 2002 Supp. 16a-2-304; effective Oct. 31, 2003.)

K.A.R.75-6-34. Balloon payment on consumer loan secured by motor

vehicle. (a) Each creditor shall submit a written proposal to the administrator for approval, outlining the terms and conditions of the loan or a loan program that meets the requirements of this regulation, before making any consumer loan meeting all of the following conditions:

(1) The loan is secured solely by a motor vehicle.

(2) In the terms of the loan, any scheduled payment is more than twice as large as the average of earlier scheduled payments.

(3) The terms of refinancing could be less favorable to the consumer than the terms of the original transaction.

(b) The proposed loan or program shall be reviewed by the administrator to ensure compliance with this regulation and to ensure that all other terms in the agreement meet the following conditions:

(1) Are clearly and adequately disclosed;

(2) are not unconscionable under any of the standards specified in K.S.A. 50-627, K.S.A. 16a-5-108, and K.S.A. 16a-6-111, and amendments thereto; and

(3) are not otherwise harmful to consumers.

(c) For each consumer loan meeting the conditions specified in paragraphs (a)(1) through (a)(3) in this regulation, the creditor shall ensure that the contract provides the consumer with the option of surrendering possession of

the motor vehicle to the creditor or the creditor's designee at the end of the initial loan term, without further obligation except for those costs specifically authorized by subsection (d) of this regulation.

(d) If a consumer chooses to surrender the vehicle at the end of the loan term instead of refinancing or paying the balloon payment, the following costs may be assessed by the creditor at the time of surrender of the vehicle if the charges have been fully disclosed in writing and agreed to by the consumer at the time of the original credit transaction:

(1) A charge for mileage in excess of the total number of miles originally agreed to between the creditor and the consumer;

(2) the actual cost to replace any missing original vehicle accessories, as set out in a list signed and acknowledged by the consumer at the time of receipt of the vehicle; and

(3) the actual cost for any unrepaired physical damage caused by an occurrence that would normally be covered by physical damage insurance.

(e) If the consumer chooses to refinance the balloon payment loan, the length of the term of refinancing shall not exceed 36 months.

(f) Before entering into any balloon payment loan secured by a motor vehicle, the creditor shall provide the consumer with a separate written disclosure containing only the following information:

“IMPORTANT — READ THIS CAREFULLY BEFORE SIGNING

THIS LOAN HAS A LOWER MONTHLY PAYMENT BECAUSE IT IS A “BALLOON” LOAN. THAT MEANS AT THE END OF THE LOAN TERM YOU WILL STILL OWE THE LENDER MORE MONEY. The balance you will still owe the lender is [INSERT REMAINING LOAN BALANCE AT END OF INITIAL LOAN TERM]. If you do not return the vehicle at the end of the loan term, you may have to get another loan at a higher interest rate to pay off the balance. Even if you do return the vehicle, you will have to pay an additional charge if the total miles on the vehicle are more than [INSERT INITIAL ODOMETER READING PLUS TOTAL MILES ALLOWED PER CONTRACT].

IF YOU HAVE QUESTIONS OR CONCERNS ABOUT THE LENDER, YOU MAY CALL THE KANSAS OFFICE OF THE STATE BANK COMMISSIONER TOLL-FREE CONSUMER HELPLINE AT 1-877-387-8523.

Borrower _____ Date”

(g) No balloon payment loan secured by a motor vehicle shall allow for the financing of credit life, health, or disability insurance unless the creditor provides a separate written disclosure to the consumer that contains only the following information:

“IMPORTANT — READ THIS CAREFULLY BEFORE SIGNING

The lender can require you to have insurance on the vehicle, but the lender cannot make you buy insurance from any specific company or agent. That choice is up to you. The lender may also offer to sell you "credit life, health, or disability insurance" but cannot make you buy it. If you decide that you want life, health, or disability insurance, you should shop and compare the cost.

IF YOU HAVE QUESTIONS OR CONCERNS ABOUT THE LENDER, YOU MAY CALL THE KANSAS OFFICE OF THE STATE BANK COMMISSIONER TOLL-FREE CONSUMER HELPLINE AT 1-877-387-8523.

Borrower _____ Date"

(h) Each creditor shall provide a copy of the notices specified in subsections (f) and (g) to the consumer, and shall also maintain a signed copy of each notice on file.

(i)(1) The authority to conduct the program may be revoked by the administrator, or changes may be required by the administrator to be made to any program if either of the following conditions is met:

(A) The administrator determines that the program is not being conducted in the manner in which it was presented at the time of initial approval.

(B) The administrator determines that the program no longer meets the requirements of subsection (b) of this regulation.

(2) If the authority to conduct the program is revoked, the sponsor of the program shall have a right to a hearing pursuant to the Kansas administrative procedure act, K.S.A. 77-501 et seq., and amendments thereto. (Authorized by K.S.A. 2002 Supp. 16a-6-104 and K.S.A. 2002 Supp. 16a-3-308; implementing K.S.A. 2002 Supp. 16a-3-308; effective Sept. 12, 2003.)

K.A.R.75-6-35. Net worth requirements. (a) Each applicant for a supervised loan license who engages in or intends to engage in making loans secured by an interest in real property or contracts for deed shall comply with both of the following requirements:

(1) Each applicant shall maintain a minimum net worth of \$250,000.

(2) At least 20% or \$100,000 of the net worth of each applicant, whichever is less, shall be comprised of liquid assets consisting of cash or readily marketable securities registered on a national securities exchange.

(b) As evidence that the applicant is in compliance with subsection (a), each applicant shall submit annually to the administrator, on or before January 1, a current and complete financial statement, accompanied by a written statement signed by an independent certified public accountant attesting that the statement has been reviewed and is in compliance with generally accepted accounting principles. For the purposes of this regulation, a current financial statement shall be one that was prepared within the preceding 12 months. (Authorized by and implementing K.S.A. 2004 Supp. 16a-2-302(2)(b), as amended by L. 2005, ch. 144, sec. 9; effective Jan. 6, 2006)

Article 7.—FAIR CREDIT REPORTING ACT

K.A.R.75-7-1 to 75-7-3. (Authorized by K.S.A. 50-721; effective, E-74-17, April 5, 1974; effective May 1, 1975; revoked May 1, 1980.)

Article 8.—KANSAS INVESTMENT CERTIFICATE ACT

K.A.R.75-8-1. (Authorized by and implementing K.S.A. 16-601(6); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-2. (Authorized by and implementing K.S.A. 16-629(c); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-3. (Authorized by and implementing K.S.A. 16-629(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; amended, T-83-16, July 1, 1982; amended May 1, 1983; revoked Aug. 9, 1996.)

K.A.R.75-8-4. (Authorized by and implementing K.S.A. 16-629(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-5. (Authorized by K.S.A. 16-629 (a); implementing K.S.A. 16-602(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-6 to 75-8-7. (Authorized by and implementing K.S.A. 16-629(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-8. (Authorized by K.S.A. 16-629(a); implementing K.S.A. 16-602(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-9. (Authorized by K.S.A. 16-629(a); implementing K.S.A. 16-601(8); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-10. (Authorized by and implementing K.S.A. 16-629(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked Aug. 9, 1996.)

K.A.R.75-8-11. (Authorized by K.S.A. 16-629(a); implementing K.S.A. 16-602(b); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; amended May 1, 1983; revoked Aug. 9, 1996.)

K.A.R.75-8-12. (Authorized by K.S.A. 16-629(a); implementing K.S.A. 16-601(30); effective, E-82-23, Dec. 9, 1981; effective May 1, 1982; revoked May 1, 1983.)

Articles 9 to 25.—RESERVED

Article 26.—REFUNDS; SALES FINANCE

K.A.R.75-26-1. (Authorized by K.S.A. 16-506(a); effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 27.—INSURANCE; SALES FINANCE

K.A.R.75-27-1. (Authorized by K.S.A. 16-506(a); effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 28.—CONTRACTS; SALES FINANCE

K.A.R.75-28-1 and 75-28-2. (Authorized by K.S.A. 16-506(a); effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 29.—RECORDS; SALES FINANCE

K.A.R.75-29-1 and 75-29-2. (Authorized by K.S.A. 16-506(a); effective Jan. 1, 1966; revoked, E-77-27, May 21, 1976; revoked Feb. 15, 1977.)

Article 1.—ADJUSTABLE RATE NOTES

K.A.R.104-1-1. (Authorized by and implementing L. 1982, ch. 94; effective, T-83-29, Sept. 22, 1982; effective May 1, 1983; revoked, T-88-28, Aug. 19, 1987; revoked May 1, 1988.)

K.A.R.104-1-2. Consumer-purpose adjustable rate real estate transactions.

(a) A creditor may use any interest-rate index that is readily verifiable by the borrower if it is beyond the control of the creditor to adjust the interest rate on any of the following:

(1) consumer-purpose adjustable rate notes secured by a real estate mortgage; or

(2) consumer-purpose contracts for deed to real estate which contain an adjustable interest rate provision.

(b) Adjustments to the interest rate shall correspond directly to the movement of the index, subject to any rate-adjustment limitations that a creditor may provide.

(c) When the movement of the index permits an interest-rate increase, the creditor may decline to increase the interest rate by the indicated amount. The creditor may decrease the interest rate at any time.

(d) The creditor may implement adjustments to the interest rate through adjustments to the outstanding principal loan balance, loan term, payment amount, or any combination of the above.

(e) The creditor shall not charge the borrower any costs or fees in connection with regularly-scheduled adjustments to the interest rate, payment, outstanding principal loan balance, or loan term.

(f) For purposes of this regulation, “consumer-purpose” means primarily for personal, family or household purposes. (Authorized by and implementing K.S.A. 16-207d; effective, T-88-28, Aug. 19, 1987; effective May 1, 1988; amended Aug. 9, 1996.)