

46A-4-110

COMMISSIONER OF BANKING

STATE OF WEST VIRGINIA

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In the Matter of:

REQUEST FOR AUTHORIZATION TO  
ENGAGE IN SUBSIDIARY BUSINESS BY  
A SUPERVISED LENDER  
filed on behalf of  
KENTUCKY FINANCE COMPANY, INC.  
101 Dingess Street, Logan, WV  
(Re: Auto Club Memberships)

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DECISION ON AUTHORIZATION REQUEST

On December 6, 1994 Kentucky Finance Company, Inc., by letter from its parent company, Associates Corporation of North America, requested of the West Virginia Commissioner of Banking a DECISION ON AUTHORIZATION pursuant to W. Va. Code § 46A-4-110 in regards to the marketing and selling of an auto club membership plan of Continental Car Club, Inc. in the same office, room, or place of business at 101 Dingess Street, Logan, West Virginia in which the above-named supervised lender licensee conducts the business of making supervised loans.

Upon review of this request, the Commissioner of Banking has, in conformity with its Decision of Authorization of May 16, 1994, determined that a similar product has previously been given tentative approval and is presently offered at Associates' supervised lender offices in West Virginia; that the nature and character of marketing and selling such product will not per se facilitate evasions or contradictions of Article 4, Chapter 46A of the West Virginia Code or the rules issued thereunder; that no complaints have yet been filed in connection with the sale of such types of products by other supervised lenders; and that the marketing and selling of auto club memberships

together with supervised loans will not be detrimental to the consumers of this state-- Provided certain consumer rights are afforded as set forth herein.

Based upon these determinations and findings the Commissioner of Banking IS OF THE OPINION that the supervised lender licensee named herein may conduct the business of making supervised loans in the same office, room, or place of business in which auto club memberships are marketed and sold. This grant of authority is made in the discretion of the Commissioner of Banking and shall be subject to the restrictions placed on supervised lenders by W. Va. Code § 46A-4-110 and on additional charges to consumer loans by W. Va. Code § 46A-3-109. To ensure compliance and prevent economic coercion and unlawful tie-in sales the following operational guidelines must be adopted and adhered to by the above-named supervised lender licensee:

- (1) The purchase of an auto club membership may not be required as a condition to the making of any loan or extension of credit by the lender licensee;
- (2) No loan application form of the licensee may be preprinted to offer or provide financing for the purchase of auto club memberships. Any agreement to purchase the auto club membership shall be separate from any loan agreement, and must provide a disclosure which is either signed or initialed by the consumer acknowledging that he/she understands that the purchase of the auto club membership was in no way a condition or requirement for obtaining any loan or extension of credit from the licensee.
- (3) Where the purchase of the auto club membership is financed by the licensee as part of another loan, the charge for purchasing the product shall not exceed more than fifteen percent (15%) of the total amount financed;
- (4) Where the purchase of the auto club membership is financed by the licensee as a separate transaction, a supervised lender is hereby specifically authorized to provided financing so long as the finance charge for the loan does not exceed that allowed generally to retail merchants (i.e. presently 18% APR).

Any deviation from the above-stated guidelines will result in the revocation of this written authorization to engage in the business of making loans in the same office, room or place of business in which auto club memberships were marketed or sold. Subject to the terms and conditions set forth herein: AUTHORIZATION IS HEREBY GRANTED.

*SGB*

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Sharon G. Bias  
Commissioner of Banking

Date: 12/19/94