

**Hall of the House of Representatives**  
86th General Assembly - Regular Session, 2007  
**Amendment Form**

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**Subtitle of Senate Bill No. 110**

"TO CLARIFY THAT DEBT CANCELLATION AGREEMENTS ARE NOT INSURANCE  
UNDER THE ARKANSAS INSURANCE CODE."

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**Amendment No. 1 to Senate Bill No. 110.**

Amend Senate Bill No. 110 as engrossed, S1/29/07 (version: 01-29-2007 14:01):

Page 2, delete line 10 and substitute "contractual arrangement modifying a loan term dealing with motor vehicles under"

AND

Page 2, delete lines 14 and 15 and substitute the following:  
"documents;

SECTION 2. Arkansas Code Title 4, Chapter 90 is amended to add an additional subchapter to read as follows:

SUBCHAPTER 7 – DEBT CANCELLATION AGREEMENTS

4-90-701. Definition.

As used in this subchapter, "debt cancellation agreement" means a loan term or contractual arrangement modifying a loan term dealing with motor vehicles under which a lender agrees to cancel all or part of a borrower's obligation to repay an extension of credit from the lender upon the occurrence of a specified event, whether or not separate from or a part of other loan documents.

4-90-702. Requiring borrower to purchase debt cancellation agreement prohibited.

A lender shall not require a borrower to purchase a debt cancellation agreement.

4-90-703. Debt cancellation agreements to be legible – Disclosure requirements.

All terms of a debt cancellation agreement shall be printed or reproduced to render all material provisions of the agreement legible and shall clearly and conspicuously disclose the following information:

(1) If the debt cancellation agreement is provided by or



administered by a third party, the debt cancellation agreement shall disclose that fact and provide the name, address, and telephone number of the third party and describe the procedure to follow for filing a claim with that third party under the debt cancellation agreement;

(2) The total retail price of the debt cancellation agreement;

(3) Any limitation or restriction on the cancellation of the entire debt due upon the occurrence of the specified event;

(4) The amount or portion of the retail price that is either retained by or paid to the seller of the automobile as a commission or any other sort of compensation;

(5) That the purchaser is allowed to cancel the debt cancellation agreement at any time and receive a refund paid directly to the purchaser minus any cancellation fee not to exceed twenty-five dollars (\$25.00) as follows:

(A) If the debt cancellation agreement is cancelled within thirty (30) days of purchase, a purchaser shall receive a full refund of the retail price; or

(B) If the debt cancellation agreement is cancelled at a later time, the purchaser shall receive a pro rata refund of the retail price for the unexpired term based upon the number of elapsed months at the time of the cancellation compared to the total length of the financing agreement; and

(6) That the terms of the debt cancellation agreement financed by the lender are binding on the lender.

#### 4-90-704. Debt cancellation agreements – Restrictions.

No debt cancellation agreement shall be issued that:

(1) Is in any respect in violation of or does not comply with this subchapter;

(2) Contains or incorporates by reference if incorporation by reference is otherwise permissible any inconsistent, ambiguous, illusory, or misleading clauses or exceptions and conditions that deceptively affect the material terms of the debt cancellation agreement;

(3) Has a title, heading, or other indication of its provisions that is misleading;

(4) Contains any provision that is unconscionable or that encourages misrepresentation; or

(5) Is sold after any representation, oral or written, that is misleading or deceptive with respect to any material term of the contract or any provision of this subchapter.

#### 4-90-705. Application of § 4-88-101 et seq. to debt cancellation agreements and sellers of debt cancellation agreements.

(a) Debt cancellation agreements and sellers of debt cancellation agreements are subject to the provisions of § 4-88-101 et seq., and any violation of any of the provisions of this subchapter constitutes an unconscionable or deceptive act or practice under § 4-88-101 et seq.

(b) All remedies, penalties, and authority granted to the Attorney General under § 4-88-101 et seq. are available to the Attorney General for the enforcement of this subchapter.”

AND

Page 2, line 17, delete "SECTION 2." and substitute "SECTION 3."

The Amendment was read \_\_\_\_\_  
By: Representative Anderson  
DLP/SML - 02-14-2007 08:55  
DLP219

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Chief Clerk