

190.110 Finance charges -- Rates -- Computations.

- (1) The finance charge allowed by this subsection may be precomputed by using an add-on method. If the finance charge in a retail installment sale is precomputed it shall not exceed the following rates:
 - Class 1. Any new or used motor vehicle designated by the manufacturer by a year model not earlier than the year in which the sale is made -- eleven dollars (\$11) per one hundred dollars (\$100) of principal balance, as determined pursuant to KRS 190.100(2), per year of the contract.
 - Class 2. Any new motor vehicle not in class 1 and any used motor vehicle designated by the manufacturer by a year model of one (1) or two (2) years prior to the year in which the sale is made -- thirteen dollars (\$13) per one hundred dollars (\$100) of principal balance, as determined pursuant to KRS 190.100(2), per year of the contract.
 - Class 3. All other motor vehicles not in class 1 or 2 -- fifteen dollars (\$15) per one hundred dollars (\$100) of principal balance, as determined pursuant to KRS 190.100(2), per year of the contract.
- (2) If the finance charge applicable to a retail installment sale is precomputed and the retail installment contract provides for successive monthly payments, substantially equal in amount, the maximum finance charge computed pursuant to subsection (1) of this section for a partial year occurring at the beginning of a contract with a term of less than one (1) year or at the end of a contract with a remaining term greater than a year shall be prorated at the annual maximum amount of finance charge computed under subsection (1) of this section, based on the number of months in the partial year.
- (3) If the finance charge applicable to a retail installment sale is precomputed and the retail installment contract provides for unequal or irregular installment payments, the maximum finance rate of the finance charge shall be at the effective rate provided in subsection (1) of this section, having due regard for the schedule of payment.
- (4) Alternatively, the seller may, at his option, compute the finance charge in a retail installment sale on a simple interest basis, taking into account the actual number of days between payments under the contract using a fixed or variable rate not to exceed the effective rate of finance charge permitted under subsection (1) of this section.
- (5) For the purposes of subsections (3) and (4) of this section, the effective rate of the finance charge permitted by subsection (1) of this section shall be the rate computed in accordance with the actuarial method or the United States Rule method for a retail installment contract that provides for:
 - (a) The total finance charge permitted under subsections (1) and (2) of this section;
 - (b) Successive monthly payments substantially equal in amount; and
 - (c) The purchase of a vehicle of the same vehicle class over the same term as the unequal or irregular installment payment contract subject to subsection (3) of

this section or the simple interest basis contract subject to subsection (4) of this section. In computing the effective rate, the seller may make any assumptions and use any method that the Truth in Lending Act and the regulations promulgated thereunder would permit in computing the annual percentage rate.

Effective: July 12, 2012

History: Amended 2012 Ky. Acts ch. 96, sec. 3, effective July 12, 2012. -- Amended 1984 Ky. Acts ch. 391, sec. 3, effective July 13, 1984. -- Amended 1980 Ky. Acts ch. 321, sec. 2, effective July 15, 1980. -- Created 1956 Ky. Acts ch. 105, sec. 3, effective July 1, 1956.