



STATE OF TEXAS

OFFICE OF CONSUMER CREDIT COMMISSIONER

SAM KELLEY, Commissioner

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AUSTIN, TEXAS 78768

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512/475-2111

December 29, 1981 No. 81-34

Mr. S. Eric Davis
Attorney at Law
P. O. Box 7920
Newport Beach, California 92660

Re: Request for Official Interpretation

Dear Mr. Davis:

In your letter of November 11, 1981, you asked for an official interpretation as to whether the following described loan can be made by your client, who has obtained a regulated loan license under Chapter 3, Article 5069, V.T.C.S. of the Code, pursuant to the provisions of Chapter 5 of that Article.

"Interest only loans, requiring monthly payments of interest and a payment of the entire principal amount of the loan on the due date thereof."

Article 1.04(n)(2) provides the following:

"Any loan made under this Article that is extended primarily for personal, family, or household use but not for business, commercial, investment, agricultural, or other similar purposes, and that is payable in consecutive monthly installments and is described by Section (1), Article 5.01, of this Title and that is made by a person engaged in the business of making those types of loans, is subject to Chapter 5 of this Title, and any person except a bank or savings and loan association engaged in that business shall obtain a license under Chapter 3 of this Title." (Emphasis added)

It is our opinion that the underlined language modifies the language in Article 5.02(1) which provides that a secondary mortgage loan made under the Chapter be repayable in consecutive monthly installments, substantially equal in amount. Therefore, a loan that is repayable in consecutive monthly installments and otherwise qualifies under Chapter 5 is considered by this Office to be subject to the provisions of the Chapter.

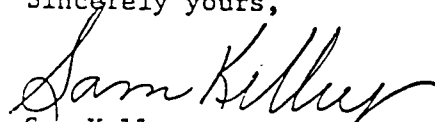
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It is my understanding that the interest only loan, which is the subject of your inquiry, is to be repayable in consecutive monthly installments. It is permissible for your client to enter into such a loan agreement pursuant to the provisions of Chapter 5.

I trust this is adequate for your purposes.

Sincerely yours,

A handwritten signature in cursive script that reads "Sam Kelley". The signature is written in dark ink and is positioned above the typed name and title.

Sam Kelley
Consumer Credit Commissioner