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§12-505.

(a) In a closed end account, the finance charge may not exceed the greater of:

(1) An amount computed using the following annual simple interest rates of finance charge:

(i) 22 percent on that part of the outstanding balance not exceeding \$1,000; and

(ii) 18 percent on that part of the outstanding balance exceeding \$1,000; or

(2) A minimum charge of \$10 or, if the due date of the last installment is eight months or less after the effective date of the retail credit account agreement, \$8.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, in a closed end account made on or after July 1, 1982, the finance charge may not exceed 24 percent per annum simple interest.

(b) (1) In a closed end account, the finance charge may be computed:

(i) On the actual unpaid principal outstanding from time to time; or

(ii) In advance, at the time the purchase is made, by adding to the original unpaid balance the amount of finance charge that would be earned if the account were repaid exactly according to its terms at the rate stated in subsection (a) of this section.

(2) Nothing in this section shall be construed to prohibit any particular method of computing the finance charge on a closed end account so long as the amount of the finance charge does not result in a rate of charge in excess of that permitted by subsection (a) of this section.

(c) Amounts due under a closed end account may be payable in successive monthly, semimonthly, or weekly installments.

(d) As part of the regular practice of a holder, he may include fractional periods of 15 days or more as a whole month if he also entirely excludes fractional periods of 14 days or less.

(e) (1) A buyer may prepay at any time, without penalty, all or any part of the outstanding balance of a closed end account.

(2) Except as provided in paragraph (4) of this subsection, if the buyer

pays the balance in full before maturity, the holder immediately shall refund to him a portion of the finance charge, including the charge provided in subsection (a)(2) of this section.

(3) The amount of the refund shall be calculated in accordance with subsection (g) of this section.

(4) If a prepayment is made, the holder is entitled to retain a finance charge of at least \$6. If the amount of credit for prepayment is less than \$1, no refund need be made.

(f) (1) The holder of a closed end account on which the finance charge is computed in advance may:

(i) By agreement with the buyer, extend the scheduled due date or defer the scheduled payment of all or part of the installments payable under it; and

(ii) Charge the buyer an extension or deferral charge.

(2) The extension or deferral charge may not exceed an amount equal to 1 percent per month of the amount extended or deferred for the period of extension or deferral.

(3) The period of extension or deferral may not exceed the period from the date when the extended or deferred amount would have been payable in the absence of the extension or deferral to the date when the amount is made payable under the agreement of extension or deferral.

(g) If interest charged pursuant to this subtitle in respect of a loan to a buyer has been precomputed, then, in the event of prepayment of the entire loan, the holder shall refund or credit to the buyer the unearned portion of the precomputed interest charge. This refund or credit shall be in an amount not less than the amount which would be refunded or credited if the unearned precomputed interest charge were calculated in accordance with the actuarial method, except that the buyer may not be entitled to a refund or credit of less than \$5. The unearned portion of the precomputed interest charge is, at the option of the holder, either:

(1) That portion of the precomputed interest charge which is allocable to all originally scheduled or, if deferred, all deferred payment periods, or portions of payment periods, ending subsequent to the date of prepayment. The unearned precomputed interest charge is the total of that which would have been earned for each period, or portion of a period, had the loan not been precomputed, by applying to the unpaid balances of principal, according to the actuarial method, an annual percentage rate based on the precomputed interest charges, assuming that all payments were made as scheduled, or as deferred, if deferred. The holder at its option, may round this annual percentage rate to the nearest 1/4 of 1 percent; or

(2) The total precomputed interest charge less the earned precomputed

interest charge. The earned precomputed interest charge shall be determined by applying an annual percentage rate based on the total precomputed interest charge, under the actuarial method, to the unpaid balances for the actual time those balances were unpaid up to the date of prepayment.

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