

Article - Commercial Law

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§12-506.

(a) In an open end account:

(1) The finance charge may not exceed 1.5 percent a month on that part of the outstanding balance not exceeding \$700;

(2) The finance charge may not exceed 1 percent per month on that part of the outstanding balance exceeding \$700;

(3) Notwithstanding the provisions of paragraphs (1) and (2) of this subsection, the finance charge may not exceed 2 percent per month on that part of the outstanding balance originating on or after July 1, 1982;

(4) Including a credit card plan that provides for sales, cash advances, or both, the buyer or borrower may not be required to pay a membership fee for the privilege of participating in the plan;

(5) If made at a rate pursuant to paragraph (3) of this subsection, the seller or holder may not contract for, charge, or receive any compounded interest or compounded finance charge; and

(6) A seller or financial institution may assess either, but not both:

(i) A finance charge equal to the rate of interest charged on past due accounts as provided in the agreement; or

(ii) A late payment charge.

(b) In an open end account, if a finance charge is applied to all outstanding balances within a range not exceeding \$10, the finance charge may be computed on the basis of the median amount within the range.

(c) For the purpose of computing the outstanding balance of an open end account subject to the finance charge, the outstanding balance:

(1) On any day may not exceed the sum of the total charges to the account less the amounts paid or credited to the account before that day; or

(2) May be computed by the average daily balance method except that a finance charge may not be assessed on an account if the outstanding balance is paid in full 25 days after the billing cycle.

(d) In an open end account, (1) the finance charge in any given month may not exceed an amount which may be assessed pursuant to subsection (c)(2) of this section;

and (2) if there is no balance at the beginning of a billing cycle, a finance charge may not be assessed on any charge added to the account during that billing cycle from the date of purchase to the end of that billing cycle.

(e) A finance charge for a monthly period may not be imposed on an open end account unless the periodic statement for that month is mailed to the buyer at least 15 days before the end of the next billing cycle.

(f) (1) If a seller or financial institution establishes two or more open end accounts for an individual buyer, the seller or financial institution may not impose a higher rate of finance charge than would be obtained if there was but one open end account between the buyer and the seller or financial institution.

(2) A seller does not establish two open end accounts within the meaning of this subsection solely because the seller accepts payment from a financial institution, as directed by a buyer by use of a credit card issued to the buyer by the financial institution, and also establishes an account directly payable to him by the buyer.

(g) Regardless of the date of actual posting of a payment to an account, the payment shall be credited to the customer's account as of the date the payment is received by the creditor, and no finance charge, late payment charge, or other charge shall be imposed with respect to the amount of the payment which is properly received by the creditor on or before the time indicated by the creditor as necessary to avoid imposition thereof, provided that:

(1) If a creditor fails to post the customer's payment in time to avoid the imposition of finance charges, late payment charges, or other charges, the creditor shall adjust the customer's account so that the finance charges, late payment charges, or other charges are credited to the account during the customer's next billing cycle.

(2) For the purposes of paragraph (g) of this section the creditor may specify on the periodic statement or on accompanying material that need not be retained by the customer, reasonable requirements with respect to the form, amount, manner, location, and time for receipt of payments, except that:

(i) If no particular hour of the day has been clearly specified by the creditor as the time by which payment must be received by the creditor in order to obtain crediting to the customer's account as of that date, payments received prior to the close of business on that day must be credited as of that date;

(ii) If no location(s) has been clearly specified as the location(s) at which payment may be made, then payment at any location where the creditor conducts business shall be credited as of the date payment is presented; and

(iii) If no particular manner of payment has been clearly specified, then payment by check, cash, money order, bank draft or other similar instrument in properly negotiable form shall constitute proper manner of payment.

(3) If the creditor accepts payment at locations other than those specified under paragraph (g)(2)(ii) of this section, the creditor shall credit the customer's account promptly (in no case later than five days from the date of receipt), provided that the possibility of the delay is clearly disclosed to the customer on the periodic statement or on accompanying material that need not be retained by the customer.

(4) Payments need not be credited as of the date of receipt (but in any case must be credited promptly) if a delay in crediting does not result in the imposition of any finance charges, late payment charges, or other charges for that billing cycle or a later billing cycle.

(h) (1) A seller or financial institution that imposes a finance charge in connection with an open end account may not directly or indirectly contract for, charge, or receive from the buyer any finance charge, discount, fine, commission, charge, brokerage, or other consideration on that account in excess of that permitted by this section.

(2) If a credit card plan allows for both purchases and the extension of cash advances, the charges prohibited by this section may not be imposed as to either function.

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