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By: **Senator Astle**  
Introduced and read first time: February 5, 1999  
Assigned to: Finance

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Committee Report: Favorable with amendments  
Senate action: Adopted  
Read second time: March 3, 1999

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Credit Regulation - Financing of Prior Loan Balances**

3 FOR the purpose of providing that the amount credited for the agreed value of goods,  
4 which must be stated in an installment sale agreement, may include certain  
5 amounts actually paid or to be paid by the seller on behalf of the buyer under  
6 certain circumstances; providing that certain provisions of Maryland law  
7 governing credit grantor closed end credit do not prohibit a credit grantor from  
8 including in the loan amount certain amounts actually paid or to be paid by the  
9 credit grantor on behalf of the borrower under certain circumstances;  
10 conforming certain disclosure requirements with requirements of the federal  
11 Truth in Lending Act; clarifying certain licensing requirements for certain  
12 sellers and credit grantors who finance certain prior loan balances; and  
13 generally relating to the financing of prior loan balances by certain sellers and  
14 credit grantors.

15 BY repealing and reenacting, with amendments,  
16 Article - Commercial Law  
17 Section 12-606(b)  
18 Annotated Code of Maryland  
19 (1990 Replacement Volume and 1998 Supplement)

20 BY adding to  
21 Article - Commercial Law  
22 Section 12-606(d) and 12-1012(c)  
23 Annotated Code of Maryland  
24 (1990 Replacement Volume and 1998 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Commercial Law**

4 12-606.

5 (b) An installment sale agreement also shall state in simple tabular form the  
6 following separate items in the following order:

7 (1) The cash price of the goods sold;

8 (2) All charges for delivery, installation, or repair of or other services to  
9 the goods which, separate from the cash price, are included in the installment sale  
10 agreement;

11 (3) The sum of the cash price in item (1) and the charges for services in  
12 item (2);

13 (4) The amount of the buyer's down payment, together with:

14 (i) A statement of the respective amounts credited for cash, credits,  
15 and the agreed value of goods, ~~WHICH MAY INCLUDE, IN CONNECTION WITH A SALE,~~  
16 ~~THE~~;

17 (II) A STATEMENT OF AMOUNTS ACTUALLY PAID OR TO BE PAID BY  
18 THE SELLER PURSUANT TO AN AGREEMENT WITH THE BUYER, ON BEHALF OF THE  
19 BUYER TO DISCHARGE ANY AMOUNT FINANCED UNDER AN OUTSTANDING LOAN  
20 AGREEMENT OR INSTALLMENT SALE AGREEMENT OR THE UNPAID PORTION OF THE  
21 EARLY TERMINATION OBLIGATION UNDER ANY LEASE OR OTHER OBLIGATION OF  
22 THE LESSEE, WITH RESPECT TO A MOTOR VEHICLE OR OTHER PROPERTY TRADED IN;

23 (III) A STATEMENT OF THE NET AMOUNT AVAILABLE TO REDUCE  
24 THE CASH PRICE, WHICH IS ITEM (I) OF THIS ITEM LESS ITEM (II) OF THIS ITEM; and

25 ~~(ii)~~ (IV) A description of all goods sufficient to identify them;

26 (5) The unpaid balance of the cash price payable by the buyer to the  
27 seller, which is item (3) less item (4);

28 (6) The cost to the buyer of any insurance for the payment of which  
29 credit is to be extended to the buyer, together with:

30 (i) The amount or extent of the insurance;

31 (ii) The expiration date of the insurance;

32 (iii) The party to whom the insurance is payable; and

33 (iv) A concise description of the coverage, including, if the goods sold  
34 include a motor vehicle, a definite statement in 12-point bold type or larger as to

1 whether the insurance includes coverage for personal liability and for property  
2 damage caused to others;

3 (7) The amount of any official fees charged to the buyer which the seller  
4 expects to be paid to a public official for filing or recording the installment sale  
5 agreement or other instrument securing or evidencing the buyer's obligation or an  
6 equal or lesser amount for a nonfiling insurance premium at rates approved by the  
7 Insurance Commissioner and on which no commissions may be paid;

8 (8) The cost to the buyer of any optional debt cancellation agreement  
9 sold in connection with a motor vehicle;

10 (9) The principal balance owed, which is the sum of items (5), (6), (7), and  
11 (8) PLUS, IF THE AMOUNT STATED IN ITEM (III) OF THIS SUBSECTION IS A NEGATIVE  
12 NUMBER, ADD THAT AMOUNT AS A POSITIVE NUMBER;

13 (10) The finance charge stated as a sum in dollars; and

14 (11) The time balance owed by the buyer to the seller, which is the sum of  
15 items (9) and (10), the number of installment payments required to pay it, and the  
16 amount and time of each payment.

17 (D) A SELLER MAY NOT BE DEEMED TO BE MAKING LOANS FOR PURPOSES OF  
18 § 11-301(B)(6)(I) OF THE FINANCIAL INSTITUTIONS ARTICLE MERELY BY ENGAGING IN  
19 ACTIVITIES DESCRIBED IN SUBSECTION (B)(4)(II) OF THIS SECTION.

20 12-1012.

21 (C) (1) THIS SUBTITLE DOES NOT PROHIBIT A CREDIT GRANTOR, IN  
22 CONNECTION WITH A SALE, FROM INCLUDING IN THE LOAN AMOUNT THE AMOUNTS  
23 ACTUALLY PAID OR TO BE PAID BY THE CREDIT GRANTOR PURSUANT TO AN  
24 AGREEMENT WITH THE BORROWER, ON BEHALF OF THE BORROWER TO DISCHARGE  
25 ANY AMOUNT FINANCED UNDER AN OUTSTANDING LOAN AGREEMENT OR  
26 INSTALLMENT SALE AGREEMENT OR THE UNPAID PORTION OF THE EARLY  
27 TERMINATION OBLIGATION UNDER ANY LEASE OR OTHER OBLIGATION OF THE  
28 LESSEE, WITH RESPECT TO A MOTOR VEHICLE OR OTHER PROPERTY TRADED IN.

29 (2) A CREDIT GRANTOR WHO IS A SELLER OF GOODS OR SERVICES MAY  
30 NOT BE DEEMED TO BE MAKING LOANS FOR PURPOSES OF § 11-301(B)(6)(I) OF THE  
31 FINANCIAL INSTITUTIONS ARTICLE MERELY BY ENGAGING IN ACTIVITIES  
32 DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION.

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
34 October 1, 1999.

