

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 361 (Senator Astle)

Finance

Credit Regulation - Financing of Prior Loan Balances

This bill generally authorizes lenders to finance "negative equity" in retail installment sales contracts involving traded in property. With respect to a property traded in, the bill requires an installment sale agreement to include a statement of: (1) amounts paid or to be paid by the seller pursuant to an agreement with the buyer to discharge financing under an outstanding loan agreement or installment agreement or the unpaid portion of an early termination obligation of a lease; and (2) the net amount available to reduce the cash price.

The bill also provides that the provisions of law relating to retail installment sales of motor vehicles or other property traded in do not prohibit a credit grantor from including in the loan the amounts actually paid or to be paid by the credit grantor pursuant to an agreement with the borrower to discharge any amount financed under an outstanding loan agreement or installment sale agreements or the unpaid portion of the early termination obligation under any lease or other obligation of the lessee.

Under current law a person engaged in the business of making installment loans is generally required to be licensed. However, the licensing requirements do not apply to sellers of goods or services not engaged in making loans. The bill clarifies that this type of financing is not considered making a loan.

An "installment sale agreement" is defined as a contract for the retail sale of consumer goods under which part or all of the price is payable in one or more payments after the contract is made and the seller takes collateral security or keeps a security interest in the goods sold.

Fiscal Summary

State Effect: None. This bill specifically allows lenders to finance negative equity in retail installment sales contracts and to comply with the Federal Reserve Board's Regulation Z (Truth In Lending Act) disclosure requirements. Thus, the bill would not affect State finances.

Local Effect: None.

Small Business Effect: None.

Information Source: Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - February 19, 1999

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