
By: **Delegate Arnick**

Introduced and read first time: January 30, 2002

Assigned to: Commerce and Government Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation - Credit Grantor Revolving Credit Provisions -**
3 **Amendment of Plan Agreement**

4 FOR the purpose of repealing a requirement that a credit grantor give a certain notice
5 to a borrower when the credit grantor amends an agreement governing a
6 revolving credit plan if the amendment has the effect of altering the manner of
7 computing certain fees and charges; repealing a requirement that the credit
8 grantor send a second notice of an amendment of a plan agreement to the
9 borrower; repealing a requirement that a certain notice be sent in a certain
10 manner; altering a requirement that a certain statement in a certain notice be
11 in a certain point type; repealing a requirement that the Commissioner of
12 Financial Regulation approve the form of a notice; repealing the limitation that
13 certain procedures for amending a plan agreement do not apply to extensions of
14 credit secured by real property; providing for the application of this Act; and
15 generally relating to amendments by credit grantors of agreements governing
16 revolving credit plans.

17 BY repealing and reenacting, with amendments,
18 Article - Commercial Law
19 Section 12-912
20 Annotated Code of Maryland
21 (2000 Replacement Volume and 2001 Supplement)

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

24 **Article - Commercial Law**

25 12-912.

26 (a) A credit grantor may, if the agreement governing a revolving credit plan
27 permits, at any time amend the terms of the agreement in accordance with the
28 provisions of this section including:

1 (1) The terms governing the periodic percentage rate used to calculate
2 interest or finance charges;

3 (2) The method of computing the outstanding unpaid indebtedness to
4 which the rate is applied;

5 (3) The amounts of other charges; and

6 (4) The applicable repayment schedule.

7 (b) (1) The credit grantor shall notify each affected borrower of an
8 amendment in the manner set forth in the agreement governing the plan and in
9 compliance with the requirements of the federal Truth in Lending Act, and
10 regulations promulgated thereunder. If the amendment has the effect of increasing
11 the interest, finance charges, or other fees and charges to be paid by the borrower,
12 including, but not limited to those enumerated in § 12-905 of this subtitle, [or
13 altering the manner of their computation,] the credit grantor shall mail or deliver to
14 the borrower, at least 25 days before the effective date of the amendment, a clear and
15 conspicuous written notice which shall describe the amendment, including:

16 (i) A clear statement comparing the original terms and the terms
17 under the amended agreement; and

18 (ii) Any other pertinent information required by the provisions of
19 this section.

20 (2) If the amendment has the effect of increasing the interest, finance
21 charges, or other charges to be paid by the borrower, the amendment shall become
22 effective as provided in subsections (c) and (d) of this section.

23 (c) (1) Subject to the provisions of this paragraph, an amendment made
24 under this section shall become effective as to a particular borrower on:

25 (i) The first day of the billing cycle during which the effective date
26 of the amendment occurs; or

27 (ii) Any later date specified in the notice of amendment.

28 [(2) The credit grantor amending the agreement governing a revolving
29 credit plan under this subsection shall send a second notice in addition to the one
30 under subsection (b) of this section with the borrower's periodic statement
31 immediately following the initial notice. The second notice shall comply with all the
32 requirements of subsection (b) of this section.]

33 [(3)] (2) After receiving the notice of amendment under subsection (b) of
34 this section, the borrower may send a signed, written notice of refusal to the creditor
35 that the borrower refuses to accept the amendment.

1 [(4)] (3) The notice of refusal sent by the borrower may be accompanied
2 by a payment on the borrower's account and shall be mailed within 25 days of the
3 mailing of the notice of amendment.

4 [(5)] (4) Any borrower who gives timely notice of refusal may use the
5 account pursuant to its original, unamended terms for:

6 (i) 1. The duration of the time for which a fee was paid for use of
7 the plan through the borrower's credit device; or

8 2. Any longer period of time as determined by the credit
9 grantor; or

10 (ii) If no fee is paid for use of the plan or if the remaining time
11 period for which a fee was paid for use of the plan through the borrower's credit device
12 is less than 3 months, a period of time of not less than 3 months from the date of
13 mailing of the notice of refusal.

14 [(6)] (5) At the expiration of the periods provided under paragraph [(5)]
15 (4) of this subsection, the borrower who has given a timely notice of refusal may pay
16 any outstanding unpaid indebtedness in the account under the terms of the
17 unamended agreement governing the plan.

18 [(7)] (6) [In addition to the requirements of subsection (b) of this
19 section, a] A credit grantor amending the agreement governing a revolving credit plan
20 under this subsection shall include in the [initial] notice of amendment under
21 subsection (b) of this section[, a statement that a second notice will be sent in the
22 borrower's next periodic statement and shall include in both notices of amendment] a
23 statement in AT LEAST 10 point type [on a form the Commissioner approves] that:

24 (i) If a written notice of refusal from the borrower in which the
25 borrower refuses to accept the amendment is not received by the credit grantor within
26 25 days of the mailing of the [second] notice of amendment, the amendment will
27 become effective on the first day of the billing cycle during which the effective date of
28 the amendment occurs or at any later date specified in the notice of amendment;

29 (ii) Enumerates the borrower's rights under paragraphs [(5) and
30 (6)] (4) AND (5) of this subsection upon timely notice of refusal by the borrower; and

31 (iii) Includes the address to which the borrower may send notice of a
32 refusal.

33 [(8)] The original notice of amendment under subsection (b) of this section,
34 shall be enclosed in an envelope that contains on its face a statement in 10 point type
35 that an important notice of an increase in rates or fees of the revolving credit plan is
36 enclosed.

37 (9) This subsection does not apply to any extensions of credit secured by
38 real property.]

1 (d) (1) Notwithstanding subsection (c) of this section, at the election of the
2 credit grantor, an amendment made under this section may become effective as to a
3 particular borrower on the first day of the billing cycle in which the borrower:

4 (i) Makes a purchase or obtains a loan under the plan, after the
5 date specified in the notice of amendment which is not less than 25 days after the
6 date the notice of amendment was mailed; or

7 (ii) Sends a notice of agreement to the credit grantor in which the
8 borrower expressly agrees to the amendment.

9 (2) In addition to the requirements of subsection (b) of this section, a
10 credit grantor electing to amend the agreement governing a revolving credit plan
11 under this subsection shall include in the notice of amendment a statement that the
12 amendment will become effective on the first date of the billing cycle during which the
13 borrower:

14 (i) Makes a purchase or obtains a loan under the plan, so long as
15 the purchase is made or the loan is obtained after a specific date which is at least 25
16 days after the mailing of the notice of amendment; or

17 (ii) Sends a notice of agreement to the credit grantor in which the
18 borrower expressly agrees to the amendment.

19 (3) A borrower who receives a notice of amendment under this subsection
20 may pay any outstanding unpaid indebtedness in the account under the terms of the
21 unamended agreement governing the plan if the borrower does not:

22 (i) Make any purchase or obtain any loan under the plan after the
23 date specified in the notice of amendment; or

24 (ii) Send a notice of agreement to the credit grantor in which the
25 borrower expressly agrees to the amendment.

26 (e) If the terms of the agreement governing the plan, as originally drawn or as
27 amended provide, any amendment may, on and after the date on which it becomes
28 effective as to a particular borrower, apply to all then outstanding unpaid
29 indebtedness in the borrower's account under the plan, including any indebtedness
30 which shall have arisen out of purchases made or loans obtained prior to the effective
31 date of the amendment.

32 (f) For purposes of this section, a decrease in the required amount of
33 scheduled payments shall not be deemed an amendment which has the effect of
34 increasing the interest or finance charges to be paid by the borrower.

35 (g) The procedures for amendment by a credit grantor of the terms of a plan to
36 which a nonconsumer borrower is a party may, notwithstanding the provisions of this
37 section, be as the agreement governing the plan may otherwise provide.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to
2 amendments made on or after the effective date of this Act to agreements governing
3 revolving credit plans in existence on or established after the effective date of this Act.

4 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2002.