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By: **Senator Kelley**  
Introduced and read first time: February 1, 2002  
Assigned to: Finance

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Committee Report: Favorable with amendments  
Senate action: Adopted  
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CHAPTER\_\_\_\_\_

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~~ a certain amendment of a plan agreement to  
9 the 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 certain notice; repealing the  
13 limitation that certain procedures for amending a plan agreement do not apply  
14 to extensions of credit secured by real property; providing for the application of  
15 this Act; and generally relating to amendments by credit grantors of agreements  
16 governing 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:

1 **Article - Commercial Law**

2 12-912.

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

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

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

10 (3) The amounts of other charges; and

11 (4) The applicable repayment schedule.

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

21 (i) A clear statement comparing the original terms and the terms  
22 under the amended agreement; and

23 (ii) Any other pertinent information required by the provisions of  
24 this section.

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

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

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

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

33 [(2) The credit grantor amending the agreement governing a revolving  
34 credit plan under this subsection shall send a second notice in addition to the one  
35 under subsection (b) of this section with the borrower's periodic statement

1 immediately following the initial notice. The second notice shall comply with all the  
2 requirements of subsection (b) of this section.]

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

6 [(4)] (3) The notice of refusal sent by the borrower may be accompanied  
7 by a payment on the borrower's account and shall be mailed within 25 days of the  
8 mailing of the notice of amendment.

9 [(5)] (4) Any borrower who gives timely notice of refusal may use the  
10 account pursuant to its original, unamended terms for:

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

13 2. Any longer period of time as determined by the credit  
14 grantor; or

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

19 [(6)] (5) At the expiration of the periods provided under paragraph [(5)]  
20 (4) of this subsection, the borrower who has given a timely notice of refusal may pay  
21 any outstanding unpaid indebtedness in the account under the terms of the  
22 unamended agreement governing the plan.

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

29 (i) If a written notice of refusal from the borrower in which the  
30 borrower refuses to accept the amendment is not received by the credit grantor within  
31 25 days of the mailing of the [second] notice of amendment, the amendment will  
32 become effective on the first day of the billing cycle during which the effective date of  
33 the amendment occurs or at any later date specified in the notice of amendment;

34 (ii) Enumerates the borrower's rights under paragraphs [(5) and  
35 (6)] (4) AND (5) of this subsection upon timely notice of refusal by the borrower; and

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

1            [(8)] (7)        The ~~original~~ notice of amendment under subsection (b) of this  
2 section, shall be enclosed in an envelope that contains on its face a statement in 10  
3 point type that an important notice of an increase in rates or fees of the revolving  
4 credit plan is enclosed.

5            [(9)        This subsection does not apply to any extensions of credit secured by  
6 real property.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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