

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1310 (Delegates Donoghue and Barve)
Economic Matters

Preneed Burial Contracts - Interest and Finance Charges

This bill provides that a preneed burial contract may provide for interest or finance fees for preneed burial goods or services. Whether imposed by a cemetery or a commercial lender, the interest or finance charges are subject to the Retail Credit Account and the Retail Installment Sales subtitles of the Commercial Law Article (Title 12, Subtitles 5 and 6).

A commercial lending institution that purchases a preneed burial contract is restricted to the financing terms of the preneed burial contract.

The bill may not be applied or interpreted to have any effect on or application to any preneed burial contract executed before the bill's effective date.

Fiscal Summary

State Effect: None. The bill pertains exclusively to private sector activities.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A preneed burial contract may not provide for interest or finance charges except for those preneed goods or services that are delivered or performed before the

purchaser's death. The financing terms are included in the contract and may not exceed what is allowed by the provisions of Title 12 of the Commercial Law Article.

However, if the preneed burial contract contains a specified consumer notice, a registered cemeterian or permit holder may sell the contract to a commercial lending institution at the financing terms in the contract and the commercial lender may impose interest or a finance charge on the remaining balance due.

Background: Chapter 186 of 2001 provides that authorized interest or finance charges imposed by a cemetery on a preneed burial contract must be at a fixed rate or sum not greater than allowed in Title 12 of the Commercial Law Article, and that a registered cemeterian or permit holder may sell a preneed burial contract to a commercial lending institution at the financing terms in the contract.

Small Business Effect: The bill would affect approximately 70 cemeterians, including both large and small businesses, and allow them to charge interest or financing fees not allowed under current law. To the extent that those small businesses are able to charge financing fees, they may realize more revenues.

Additional Information

Prior Introductions: In 2001, HB 631 received an unfavorable report from the Economic Matters Committee.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2002
ncs/jr

Analysis by: Mitchell J. McCalmon

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510