
By: **Delegates Moe, Frush, Healey, Kelley, Parrott, Ross, and Rudolph**
Introduced and read first time: February 3, 2003
Assigned to: Economic 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 a certain amendment of a plan agreement to the
9 borrower; altering a requirement that a certain statement in a certain notice be
10 in a certain point type; repealing a requirement that the Commissioner of
11 Financial Regulation approve the form of a certain notice; repealing the
12 limitation that certain procedures for amending a plan agreement do not apply
13 to extensions of credit secured by real property; providing for the application of
14 this Act; and generally relating to amendments by credit grantors of agreements
15 governing revolving credit plans.

16 BY repealing and reenacting, with amendments,
17 Article - Commercial Law
18 Section 12-912
19 Annotated Code of Maryland
20 (2000 Replacement Volume and 2002 Supplement)

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

23 **Article - Commercial Law**

24 12-912.

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

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

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

3 (3) The amounts of other charges; and

4 (4) The applicable repayment schedule.

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

14 (i) A clear statement comparing the original terms and the terms
15 under the amended agreement; and

16 (ii) Any other pertinent information required by the provisions of
17 this section.

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

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

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

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

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

31 [(3)] (2) After receiving the notice of amendment under subsection (b) of
32 this section, the borrower may send a signed, written notice of refusal to the creditor
33 that the borrower refuses to accept the amendment.

34 [(4)] (3) The notice of refusal sent by the borrower may be accompanied
35 by a payment on the borrower's account and shall be mailed within 25 days of the
36 mailing of the notice of amendment.

1 [(5)] (4) Any borrower who gives timely notice of refusal may use the
2 account pursuant to its original, unamended terms for:

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

5 2. Any longer period of time as determined by the credit
6 grantor; or

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

11 [(6)] (5) At the expiration of the periods provided under paragraph [(5)]
12 (4) of this subsection, the borrower who has given a timely notice of refusal may pay
13 any outstanding unpaid indebtedness in the account under the terms of the
14 unamended agreement governing the plan.

15 [(7)] (6) [In addition to the requirements of subsection (b) of this
16 section, a] A credit grantor amending the agreement governing a revolving credit plan
17 under this subsection shall include in the [initial] notice of amendment under
18 subsection (b) of this section[, a statement that a second notice will be sent in the
19 borrower's next periodic statement and shall include in both notices of amendment] a
20 statement in AT LEAST 10 point type [on a form the Commissioner approves] that:

21 (i) If a written notice of refusal from the borrower in which the
22 borrower refuses to accept the amendment is not received by the credit grantor within
23 25 days of the mailing of the [second] notice of amendment, the amendment will
24 become effective on the first day of the billing cycle during which the effective date of
25 the amendment occurs or at any later date specified in the notice of amendment;

26 (ii) Enumerates the borrower's rights under paragraphs [(5) and
27 (6)] (4) AND (5) of this subsection upon timely notice of refusal by the borrower; and

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

30 [(8)] (7) The [original] notice of amendment under subsection (b) of this
31 section, shall be enclosed in an envelope that contains on its face a statement in 10
32 point type that an important notice of an increase in rates or fees of the revolving
33 credit plan is enclosed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2003.