

HOUSE BILL 331

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SB 482/02 - FIN

2003 Regular Session
3r1535
CF 3r1293

By: **Delegates Moe, Frush, Healey, Kelley, Parrott, Ross, and Rudolph**
Introduced and read first time: February 3, 2003
Assigned to: Economic Matters

Committee Report: Favorable
House action: Adopted
Read second time: March 18, 2003

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 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:

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, 2003.