

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 331
Economic Matters

(Delegate Moe, *et al.*)

Finance

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

This bill repeals: (1) the requirement that a credit grantor, for a revolving credit agreement, send a second notice with the borrower's periodic statement immediately following the first notice before a change in the credit agreement becomes effective; and (2) the requirement that the Commissioner of Financial Regulation approve the form of the notice to the borrower. The bill also repeals the provision excluding extensions of credit secured by real property from the notice requirements applicable to amendments of credit agreements.

The bill applies to amendments made on or after October 1, 2002.

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Commissioner of Financial Regulation.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: If the agreement governing a revolving credit plan permits, a credit grantor may amend the terms of the agreement, including the interest rate or finance charge, the method of computing the outstanding balance, the amounts of other charges,

and the applicable repayment schedule. The credit grantor must notify a borrower in accordance with the terms of the agreement and with the federal Truth in Lending Act.

If the amendment has the effect of increasing the interest, finance charges, or other fees and charges to be paid by the borrower, the grantor must mail or deliver to the borrower a clear and conspicuous written notice describing the amendment at least 25 days before the amendment's effective date. An amendment becomes effective as to a particular borrower on: (1) the first day of the billing cycle during which the effective date of the amendment occurs; or (2) a later date specified in the notice.

For a credit grantor amending an agreement governing a revolving credit plan, a second notice must be sent with the borrower's periodic statement immediately following the initial notice. The second notice must comply with the above requirements.

A borrower's refusal of the amendment must be signed and in writing. The notice may accompany a payment on the borrower's account and must be mailed within 25 days of the mailing of the notice of amendment. A borrower who gives timely notice of refusal may use the account pursuant to its original, unamended terms for: (1) the duration of the time for which a fee was paid for the use of the plan or longer, if the credit grantor determines a longer period; or (2) if no fee was paid or if less than three months remain in a period for which the borrower has paid a fee, a period of not less than three months from the date the refusal notice was mailed.

A credit grantor amending the agreement governing a revolving credit plan must include in the initial notice a statement that a second notice will be sent on a form approved by the Commissioner of Financial Regulation. If the credit grantor does not receive written notice of refusal from the borrower within 25 days of the mailing of the second notice, the amendment becomes effective on the first day of the billing cycle during which the effective date of the amendment occurs or at a later date specified in the notice. The original notice of amendment must be in an envelope that contains on its face a statement that an important notice of an increase in rates or fees of the revolving credit plan is enclosed. The provisions relating to a revolving credit plan do not apply to extensions of credit secured by real property.

At the election of the credit grantor, an amendment to a credit agreement may become effective as to a particular borrower on the first day of the billing cycle in which the borrower: (1) makes a purchase or obtains a loan under the plan, under specified conditions; or (2) sends a notice of agreement to the amended terms. The grantor must notify the borrower of this. A borrower may pay any outstanding balance under the unamended terms of the agreement if the borrower does not: (1) make a purchase or obtain a loan under the plan after the specified date; or (2) send a notice of agreement.

An amendment in the terms of an agreement may apply to all outstanding unpaid balance in the borrower's account, including any balance arising out of loans obtained or purchases made prior to the effective date of the amendment.

Additional Information

Prior Introductions: Identical bills, SB 482 and HB 438, were passed by the General Assembly in the 2002 session and vetoed by the Governor.

Cross File: SB 179 (Senator Kelley) – Finance.

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

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