
By: **Delegates Murray, Barkley, Gordon, Haynes, Lee, Montgomery, and Stern**

Introduced and read first time: January 29, 2004

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law - Open End Retail Credit Accounts and Revolving Credit**
3 **Plans - Late Payment Charges**

4 FOR the purpose of authorizing certain sellers and financial institutions to assess a
5 late payment charge equal to the lesser of a certain amount or the amount of the
6 outstanding balance of an open end retail credit account; authorizing, if the
7 agreement governing a revolving credit plan permits, certain credit grantors to
8 impose a late or delinquency charge on payments or portions of payments that
9 equals the lesser of a certain amount or the amount of the payments or portions
10 of payments; and generally relating to late payment charges on open end retail
11 credit accounts and revolving credit plans.

12 BY repealing and reenacting, with amendments,
13 Article - Commercial Law
14 Section 12-506(a) and 12-910
15 Annotated Code of Maryland
16 (2000 Replacement Volume and 2003 Supplement)

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

19 **Article - Commercial Law**

20 12-506.

21 (a) In an open end account:

22 (1) The finance charge may not exceed 1.5 percent a month on that part
23 of the outstanding balance not exceeding \$700;

24 (2) The finance charge may not exceed 1 percent per month on that part
25 of the outstanding balance exceeding \$700;

1 (3) Notwithstanding the provisions of paragraphs (1) and (2) of this
2 subsection, the finance charge may not exceed 2 percent per month on that part of the
3 outstanding balance originating on or after July 1, 1982;

4 (4) Including a credit card plan that provides for sales, cash advances, or
5 both, the buyer or borrower may not be required to pay a membership fee for the
6 privilege of participating in the plan;

7 (5) If made at a rate pursuant to paragraph (3) of this subsection, the
8 seller or holder may not contract for, charge, or receive any compounded interest or
9 compounded finance charge; and

10 (6) A seller or financial institution may assess either, but not both:

11 (i) A finance charge equal to the rate of interest charged on past
12 due accounts as provided in the agreement; or

13 (ii) A late payment charge EQUAL TO THE LESSER OF \$25 OR THE
14 AMOUNT OF THE OUTSTANDING BALANCE.

15 12-910.

16 (a) If the agreement governing a revolving credit plan permits, a credit
17 grantor may:

18 (1) For a nonconsumer borrower, charge a higher periodic percentage
19 rate of interest on outstanding unpaid payments or portions of payments under the
20 plan which are in default; and

21 (2) For any borrower, impose:

22 (i) A late or delinquency charge on payments or portions of
23 payments THAT EQUALS THE LESSER OF \$25 OR THE AMOUNT OF THE PAYMENTS OR
24 PORTIONS OF PAYMENTS; and

25 (ii) If payment is made with a check that is dishonored on the
26 second presentment, a charge not to exceed \$15.

27 (b) (1) No more than one late or delinquency charge may be imposed for any
28 single scheduled payment or portion regardless of the period during which it remains
29 in default.

30 (2) For the purpose of this subsection, all payments by the borrower shall
31 be applied to satisfaction of scheduled payments in the order in which they become
32 due.

33 (3) Charges permitted by this section may not be considered interest or
34 finance charges under the plan.

35 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
36 effect October 1, 2004.

