

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 245
Finance

(Senator Pugh)

Cemeteries - Preneed Burial Contracts - Interest or Finance Charges

This bill expands the circumstances under which a cemetery may include interest or a finance charge in a contract for preneed goods or services. Under the bill, a cemetery may include interest or a finance charge on preneed goods or services regardless of when the goods or services are received by the consumer.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Potential meaningful. The bill allows registered cemeterians to assess an interest or finance charge on a larger array of preneed goods and services than under current law; therefore, these businesses may earn additional income as a result of the bill.

Analysis

Current Law/Background: The sale of preneed goods and services is a common practice in the death care industry. "Preneed goods" are burial goods, including a casket, grave liner, memorial, monument, scroll, urn, vase, and vault, that are sold before a buyer's death. "Preneed services" are burial services, including the opening and closing of a grave, that are also sold before the buyer's death. Preneed contracts allow individuals to pre-purchase these items and services before their death or the death of a loved one.

A cemetery that makes a preneed burial contract may impose interest or a finance charge on preneed goods or services *delivered* or *performed* before death. If a cemetery imposes an interest or finance charge, the charge must be at a fixed rate not greater than the maximum allowable amount under law. Current law limits the preneed goods or services to which a finance charge can be applied by specifying that a cemetery cannot charge interest on a product or service if the consumer cannot receive the product or service. Thus, interest cannot be charged for certain services purchased in advance such as opening and closing a grave or products such as a grave liner. Preneed contracts can include finance charges for items that the consumer may theoretically receive before a death, such as an urn or monument.

Although a registered cemeterian may not include a finance charge on certain preneed purchases, the seller may sell a preneed burial contract to a commercial lending institution; the commercial lending institution may impose interest or a finance charge on the remaining balance due.

Additional Information

Prior Introductions: None.

Cross File: HB 517 (Delegate Kach) - Health and Government Operations.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Secretary of State; Maryland Insurance Administration; Department of Health and Mental Hygiene; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2011
mlm/mcr

Analysis by: Michael T. Vorgetts

Direct Inquiries to:
(410) 946-5510
(301) 970-5510