

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 901

(Senator Klausmeier)

Finance

Economic Matters

---

**Credit Regulation - Retail Installment Sales and Closed End Credit - Debt  
Cancellation Agreements - Definitions**

---

The bill alters the definition of “debt cancellation agreement,” in relation to a retail installment sale and closed-end credit transaction, by including an agreement under which the outstanding balance (or remaining loan balance) payable on an installment loan is reduced by the actual cash value of a motor vehicle (or the collateral) at the time of loss, if the buyer does not have insurance. The bill also alters the definitions of “outstanding balance” and “remaining loan balance,” in relation to retail installment sales and closed-end credit transactions, respectively, to exclude any deferred payments and the portion of any financed taxes or charges, including charges for credit life insurance, credit health insurance, credit involuntary unemployment benefit insurance, and mechanical repair contracts actually refunded to the borrower or credited as a reduction to the loan balance.

---

**Fiscal Summary**

**State Effect:** The bill does not directly affect governmental operations and finances.

**Local Effect:** The bill does not directly affect local governmental operations and finances.

**Small Business Effect:** Minimal.

---

## Analysis

### Current Law:

*Definitions Altered by the Bill:* In relation to a retail installment sale or closed-end credit transaction, “debt cancellation agreement” means an agreement between a seller (or credit grantor) and a buyer (or borrower) of a motor vehicle which provides for cancellation of the outstanding balance (or remaining loan balance) payable under an installment sale agreement in the event of theft or total destruction of the motor vehicle.

“Outstanding balance” and “remaining loan balance,” when used in reference to a debt cancellation agreement, do not include (1) any delinquent payments; (2) past due charges; (3) late payment charges; (4) unearned interest; (5) unearned rental payments; or (6) by agreement of the parties, the amount of any primary insurance deductible.

*Installment Sale Agreement:* An “installment sale agreement” means a contract for the retail sale of consumer goods, negotiated or entered into in the State, under which part or all of the price is payable in one or more payments and the seller takes collateral security or keeps a security interest in the goods sold. An installment sale agreement includes a prospective installment sale agreement, a purchase money security agreement, and a specified contract for the bailment or leasing of consumer goods.

A seller of a motor vehicle may contract for, charge for, receive, and finance the costs to the buyer of an optional debt cancellation agreement sold in connection with a motor vehicle. If an optional debt cancellation agreement is sold in connection with the motor vehicle, the installment sale agreement must state in simple tabular form the cost to the buyer.

*Closed-end Credit Transaction:* “Closed-end credit” means the extension of credit by a credit grantor to a borrower under an arrangement or agreement other than a revolving credit plan. A credit grantor may charge and collect the cost to the borrower of an optional debt cancellation agreement if that cost is separately itemized in the financing agreement.

---

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1027 (Delegates Barkley and Vaughn) - Economic Matters.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Maryland Insurance Administration; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 24, 2012  
mc/ljm Revised - Senate Third Reader - March 30, 2012  
Revised - Enrolled Bill - May 17, 2012

---

Analysis by: Michael F. Bender

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