

# SENATE BILL 527

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CF 7lr2976

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By: **Senator Middleton**

Introduced and read first time: February 1, 2017

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Unsecured Open End Credit Plans – Fees and Charges**

3 FOR the purpose of providing that certain fees and charges permitted to be imposed on a  
4 certain consumer borrower under a certain unsecured open end credit plan, when  
5 combined with any interest charged under the plan, may not exceed a certain  
6 effective rate of interest; making a conforming change; and generally relating to the  
7 regulation of fees and charges under unsecured open end credit plans.

8 BY repealing and reenacting, with amendments,

9 Article – Commercial Law

10 Section 12–905

11 Annotated Code of Maryland

12 (2013 Replacement Volume and 2016 Supplement)

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

15 **Article – Commercial Law**

16 12–905.

17 (a) With respect to an unsecured open end credit plan, fees or charges may not be  
18 imposed on a consumer borrower in addition to interest or finance charges as permitted by  
19 this subtitle, except as follows:

20 (1) If the plan is offered by a seller of goods or services, or both, and may  
21 be used only for the purchase or lease of the seller's goods and services, the seller may  
22 charge one of the following fees:

23 (i) An annual charge in any amount the agreement provides for the  
24 privileges made available to the consumer borrower under the plan;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (ii) A transaction charge or charges in such amount or amounts as  
2 the agreement may provide for each separate purchase under the plan; or

3 (iii) A minimum charge for each scheduled billing period under the  
4 plan during any portion of which there is an outstanding unpaid indebtedness under the  
5 plan.

6 (2) If the plan is offered by any other credit grantor, the credit grantor may  
7 impose any or all of the following fees:

8 (i) An annual charge in any amount the agreement provides for the  
9 privileges made available to the consumer borrower under the plan;

10 (ii) A transaction charge or charges in such amount or amounts as  
11 the agreement may provide for each separate purchase or loan under the plan; and

12 (iii) A minimum charge for each scheduled billing period under the  
13 plan during any portion of which there is an outstanding unpaid indebtedness under the  
14 plan.

15 (3) Notwithstanding the provisions of paragraph (2) of this subsection, if  
16 the credit agreement provides, a credit union may make loans or extend credit to its  
17 members incorporating the same terms and conditions as a federal credit union is  
18 permitted under federal law and regulations relating to:

19 (i) An over the limit fee assessed on a credit card account; and

20 (ii) Fees for ancillary and administrative services requested by the  
21 member, including:

22 1. Researching account records;

23 2. Providing duplicate statements and other documents; and

24 3. Expedited issuance of a duplicate or original credit card or  
25 device.

26 (b) (1) Except as provided in subsection (f) of this section, with respect to a  
27 secured open end credit plan, fees or charges may not be imposed on a consumer borrower  
28 in addition to interest or finance charges except for actual and verifiable fees incurred by  
29 the credit grantor and not retained by the credit grantor for the following:

30 (i) Attorney's fees for services rendered in connection with the  
31 preparation, closing, or disbursement of the loan;

32 (ii) Any expense, tax, or charge paid to a governmental agency;

1 (iii) Examination of title, appraisal, or other costs necessary or  
2 appropriate to the security of the loan; and

3 (iv) Premiums for any insurance coverage permitted under this  
4 subtitle.

5 (2) The additional fees or charges permitted under this subsection may be  
6 imposed, charged, and collected at any time.

7 (c) If a plan is established for a consumer borrower, a fee or charge may not be  
8 charged or collected unless the agreement concerning the plan permits the fee to be  
9 charged.

10 (d) If a plan is established for a nonconsumer borrower, the nonconsumer  
11 borrower and credit grantor may agree upon any terms concerning charges and fees.

12 (e) (1) For purposes of this section, the additional charges listed in subsections  
13 [(a)] (A)(1) AND (3), (b), and (f) of this section are not interest or finance charges with  
14 respect to a plan.

15 (2) ANY FEES OR CHARGES PERMITTED UNDER SUBSECTION (A)(2)  
16 OF THIS SECTION, WHEN COMBINED WITH ANY INTEREST CHARGED, MAY NOT  
17 EXCEED AN EFFECTIVE RATE OF 33% PER ANNUM SIMPLE INTEREST.

18 (f) (1) Subject to the provisions of paragraphs (2) through (8) of this  
19 subsection, a credit grantor of an open end credit plan that is secured by a deposit, savings,  
20 passbook, or other similar account or certificate of deposit may impose:

21 (i) An application fee not to exceed \$35; and

22 (ii) An annual charge not to exceed \$35 for the privileges made  
23 available to the consumer borrower under the plan.

24 (2) If an application to the plan is approved, the credit grantor shall credit  
25 the application fee:

26 (i) To the initial annual charge; and

27 (ii) If there is no annual charge, to the interest or finance charges  
28 under the plan.

29 (3) If an application to the plan is rejected, the credit grantor shall return  
30 the application fee to the applicant.

1 (4) Within 45 days after the receipt of the application, the credit grantor  
2 shall:

3 (i) Accept the application; or

4 (ii) Reject the application and return the application fee to the  
5 applicant.

6 (5) Any such plan shall have a credit limit of no less than the amount of  
7 the deposit, savings, passbook, or other similar account or certificate of deposit required as  
8 security.

9 (6) The application shall state the amount of:

10 (i) The minimum required security; and

11 (ii) The application fee.

12 (7) The agreement shall state the amount of the annual charge.

13 (8) If an annual charge is imposed, the credit grantor shall pay interest on  
14 the deposit, savings, passbook, or other similar account or certificate of deposit required as  
15 security in the greater of:

16 (i) A rate of 4 percent per annum simple interest; or

17 (ii) The rate of interest regularly paid on regular passbook savings  
18 accounts by the lending institution that issued the deposit, savings, passbook, or other  
19 similar account or certificate of deposit required as security.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
21 1, 2017.