



SENATE BILL 329: Retail Installment Sales Act Amendments.

2023-2024 General Assembly

Committee: House Banking. If favorable, re-refer to Rules, Calendar, and Operations of the House **Date:** June 6, 2023
Introduced by: Sens. Perry, Britt **Prepared by:** Greg Roney
Analysis of: Second Edition **Staff Attorney**

OVERVIEW: *Senate Bill 329 would modify the maximum finance charge rates that may be applied to consumer credit installment sale contracts and would increase from \$15 to \$18 the default charge for past due installment payments.*

CURRENT LAW: The Retail Installment Sales Act governs consumer credit sales. A consumer credit sale is a sale of personal, family, household, or agricultural goods or services by a seller that regularly arranges for an extension of consumer credit, either payable in installments or with a finance charge, where the amount financed does not exceed \$75,000, unless it is a debt secured by real property or a manufactured home. The Act includes limits on finance charge rates and default charges as well as terms of payments. Notwithstanding the rates set out below, if the amount financed is secured in whole or in part by a security interest in real property, the finance charge rate may not exceed 16% per annum. If any installment is past due for 10 days or more, the seller may assess a \$15 default charge.

Rates Applicable to Goods & Services Other Than Motor Vehicles

The maximum finance charge rates that may be applied to a consumer credit installment sale contract, other than an installment contract repayable in not less than 6 installments for a self-propelled motor vehicle, are as follows:

| <u>Amount Financed</u> | <u>Finance Charge Rate (per annum)</u> |
|------------------------|--|
| < \$1,500 | 24% |
| ≥ \$1,500 < \$2000 | 22% |
| ≥ \$2000 < \$3,000 | 20% |
| ≥ \$3,000 | 18% |

Rates Applicable to Certain Motor Vehicles

For a consumer credit installment sale contract for a self-propelled motor vehicle that is repayable in at least 6 installments, the rate may not exceed the higher of the rates shown above or the rates shown below:

| <u>Model Year of Vehicle</u> | <u>Finance Charge Rate (per annum)</u> |
|------------------------------|--|
| 1 and 2 model years old | 18% |
| 3 model years old | 20% |
| 4 model years old | 22% |
| 5 model years old and older | 29% |

A motor vehicle is 1 model years old on January 1 of the year following the designated year model of the vehicle

BILL ANALYSIS: Section 1 of the bill does two things:

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- It would set the maximum finance charge rates for consumer credit installment sale contracts for goods and services other than motor vehicles as follows:

| <u>Amount Financed</u> | <u>Finance Charge Rate (per annum)</u> |
|------------------------|--|
| ≤ \$3,000 | 24% |
| >\$3,000 | 21% |

- For consumer credit installment sales contracts for motor vehicles that are repayable in at least 6 installments, the maximum finance charge rates would be the higher of the rate set for other goods and services (see above) or the rates set forth below based on the model year of the vehicle:

| <u>Model Year of Vehicle</u> | <u>Finance Charge Rate (per annum)</u> |
|------------------------------|--|
| 1 to 3 model years old | 20% |
| 4 to 5 model years old | 26% |
| 6 model years and older | 30% |

Section 2 of the bill would increase from \$15 to \$18 the amount that a seller may charge a buyer when any installment payment under a consumer credit installment sale contract is past due for 10 days or more.

EFFECTIVE DATE: This act becomes effective October 1, 2023, and applies to contracts entered into, modified, or renewed on or after that date.

Trina Griffin, with the Legislative Analysis Division, substantially contributed to this summary.