

STATEMENTS OF POLICY

Title 10—BANKS AND BANKING

DEPARTMENT OF BANKING

[10 PA. CODE CH. 41]

Consumer Discount Company Act—Statement of Policy

The Department of Banking (Department), under the authority contained in section 12 of the Consumer Discount Company Act (CDCA) (7 P. S. § 6212) amends the statement of policy to the CDCA codified in § 41.3a (relating to calculation of default charges—statement of policy). The amendment to § 41.3a will implement the act of July 2, 1996 (P. L. 490, No. 80) (Act 80).

Purpose

The purpose of the revisions to § 41.3a is to eliminate any discrepancy between the CDCA and the statement of policy.

Explanation of Statement of Policy

Act 80 amended the CDCA to permit a licensed consumer discount company to charge a delinquency fee of \$20 or 10% of each payment, whichever is higher, which is in default for more than 15 days on interest-bearing closed end or revolving loan accounts. The revision seeks to remove any discrepancy between the CDCA and § 41.3a as a result of the amendments to the CDCA in Act 80. Thus, the revision amends § 41.3a by making a technical amendment to the statement of policy. The revision adds language to § 41.3a(a) thereby clarifying that the section applies only to default charges on precomputed loans as authorized in section 13.K of the CDCA (7 P. S. § 6213K.).

Entities Affected

The statement of policy will affect 76 licensed Commonwealth consumer discount companies, as well as any State or Federally-chartered banks or savings associations which originate loans under the CDCA. The statement of policy also conforms to the liberalized statutory requirements under which a licensed consumer discount company can extend credit to a consumer.

Cost and Paperwork Requirements

This statement of policy will impose no additional paperwork or costs to the Commonwealth, the Depart-

ment or any political subdivision of this Commonwealth. The statement of policy also will not impose any additional costs or paperwork requirements upon the regulated community.

Effectiveness/Sunset Date

The effective date of this statement of policy is immediately upon publication in the *Pennsylvania Bulletin*.

(Editor's Note: The regulations of the Department of Banking are amended by amending a statement of policy at 10 Pa. Code § 41.3a to read as set forth in Annex A, with ellipses referring to the existing text of the statement of policy).

RICHARD RISHEL,
Secretary

Fiscal Note: 3-37. No fiscal impact; (8) recommends adoption.

Annex A

TITLE 10. BANKS AND BANKING

PART IV. BUREAU OF CONSUMER CREDIT AGENCIES

CHAPTER 41. CONSUMER DISCOUNT COMPANIES

§ 41.3a. Calculation of default charges—statement of policy.

(a) This section applies only to default charges on precomputed loans as authorized in section 13.K of the act (7 P. S. § 6313K.). Refer to § 41.3(d)(relating to contracts with consumers) for information on default. Default charges will be calculated as follows:

(1) The act provides for the collection of a default charge (sometimes referred to as a "late" charge) for two types of contracts:

- (i) A loan payable in one payment.
- (ii) A loan payable in installments.

(2) The monthly rate is applied to the contract amount in arrears. Assessing the charge on the amount in arrears clearly means assessing the charge on the total amount past due.

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