

FOR the purpose of requiring the use of a certain method for computing the refund of finance charges on certain installment sales contracts under certain circumstances.

BY repealing and reenacting, with amendments,

Article - Commercial Law
Section 12-612(b)(2) and 12-620(b)(1)
Annotated Code of Maryland
(1975 Volume and 1979 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That section(s) of the Annotated Code of Maryland be repealed, amended, or enacted to read as follows:

Article - Commercial Law

12-612.

(b) (2) The amount of the refund shall be calculated according to the "Rule of 78"; that is, the refund shall represent at least as great a proportion of the total finance charge as the sum of the periodic time balances after the date of the prepayment bears to the sum of all the periodic time balances under the schedule of payments in the original agreement] ACTUARIAL METHOD BASED ON THE ORIGINAL SCHEDULE OF PAYMENTS.

12-620.

(b) (1) Except as provided in paragraph (2) of this subsection, if the buyer pays the time balance in full before maturity, the holder immediately shall refund to him a portion of the finance charge. The amount of the refund shall be calculated by [one of the following methods:

(i) The amount of the refund shall be calculated according to the "Rule of 78"; that is, the refund shall represent at least as great a proportion of the total finance charge as the sum of the periodic time balances after the date of prepayment bears to the sum of all the periodic time balances under the schedule of payments in the original agreement; or

(ii) The amount of the finance charge shall be divided by the number of months originally provided for the payment of the time balance under the agreement and the quotient shall be multiplied by the number of months by which the payment of the time balance is prepaid by the buyer] THE ACTUARIAL METHOD BASED ON THE ORIGINAL SCHEDULE OF PAYMENTS.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~July 17, 1980~~ January 1, 1981.