

No. 1982-160

AN ACT

SB 1284

Amending the act of June 28, 1947 (P.L.1110, No.476), entitled "An act defining and regulating certain installment sales of motor vehicles; prescribing the conditions under which such sales may be made and regulating the financing thereof; regulating and licensing persons engaged in the business of making or financing such sales; prescribing the form, contents and effect of instruments used in connection with such sales and the financing thereof; prescribing certain rights and obligations of buyers, sellers, persons financing such sales and others; limiting incidental charges in connection with such instruments and fixing maximum interest rates for delinquencies, extensions and loans; regulating insurance in connection with such sales; regulating repossessions, redemptions, resales and deficiency judgments and the rights of parties with respect thereto; authorizing extensions, loans and forbearances related to such sales; authorizing investigations and examinations of persons engaged in the business of making or financing such sales; prescribing penalties and repealing certain acts," further providing for the maximum finance charges and providing for notice and the right to cure a default.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 19, act of June 28, 1947 (P.L.1110, No.476), known as the "Motor Vehicle Sales Finance Act," amended August 1, 1975 (P.L.163, No.84) and May 21, 1980 (P.L.191, No.53), is amended to read:

Section 19. Finance Charges.—

A. A seller licensed under the provisions of this act shall have the power and authority to charge, contract for, receive or collect a finance charge, as defined in this act, on any installment sale contract covering the retail sale of a motor vehicle in this Commonwealth, which shall not exceed the rates indicated for the respective classification of motor vehicles as follows:

Class I. New motor vehicles, except those having a cash price of ten thousand dollars (\$10,000) or more and used primarily for commercial purposes and except mobile homes and except new trucks or truck tractors having a manufacturer's gross vehicular weight of fifteen thousand (15,000) pounds or more and new semitrailers or trailers designed for use in combination with truck tractors, [seven percent (7%) per year so long as the Federal Reserve discount rate is less than eleven percent (11%) and eight percent (8%) per year when the Federal Reserve discount rate is eleven percent (11%). Whenever the Federal Reserve discount rate exceeds eleven percent (11%) the Secretary of Banking shall as promptly as possible following a change in such rate adjust the rate of finance charge under this paragraph by increasing it or decreasing it by an amount which is equal to one-half (1/2) the change in the Federal Reserve discount rate. Such rate shall become effective upon publication.

by the Secretary of Banking in the Pennsylvania Bulletin and thereafter in public newspaper press releases. The initial publication, if possible, shall be made within five (5) days after the effective date of this act. For the purpose of this paragraph the "Federal Reserve discount rate" shall be the rate for advances or discounts for member banks in effect from time to time at the Federal Reserve banks of the Federal Reserve districts which include Pennsylvania (or the lower thereof, if different) *eighteen percent (18%) simple interest per year on the unpaid balance.*

Class II. Used motor vehicles of a model designated by the manufacturer by a year not more than two (2) years prior to the year in which the sale is made, *[nine percent (9%) per year] eighteen percent (18%) simple interest per year on the unpaid balance.*

Class III. Older used motor vehicles of a model designated by the manufacturer by a year more than two (2) years prior to the year in which the sale is made, *[twelve percent (12%) per year] twenty-one percent (21%) simple interest per year on the unpaid balance.*

Class IV. New motor vehicles having a cash price of ten thousand dollars (\$10,000) or more and used primarily for commercial purposes, and except new trucks or truck tractors having a manufacturer's gross vehicular weight of fifteen thousand (15,000) pounds or more and new semitrailers or trailers designed for use in combination with truck tractors, seven and one-half percent (7 1/2%) per year.

Class V. New mobile homes, such percent established as a maximum finance charge for mobile homes by regulation of the Federal Housing Administration, pursuant to the National Housing Act of June 27, 1934 (48 Stat. 1246), whether or not the mobile home is subject to a sale on credit or loan insured or guaranteed in whole or in part by such administration.

Class VI. New trucks and truck tractors having a manufacturer's gross vehicular weight of fifteen thousand (15,000) pounds or more and new semitrailers and trailers designed for use in combination with truck tractors, ten percent (10%) per year.

B. Such finance charge shall be computed on the principal amount financed as determined under Section 14-B-6 of this act.

C. Such finance charge shall be computed at the annual rate indicated on contracts, which are payable by installment payments, extending for a period of one (1) year. On contracts providing for installment payments, extending for a period which is less than or greater than one (1) year, the finance charge shall be computed proportionately.

D. Such finance charge may be computed on the basis of a full month for any fractional month period in excess of ten (10) days.

E. A minimum finance charge of ten dollars (\$10.00) may be charged on any installment sale contract in which the finance charge, when computed at the rates indicated, results in a total charge of less than this amount.

F. The maximum finance charge prescribed by this act shall not apply to any sale on credit or loan insured or guaranteed in whole or in

part by the Federal Housing Administration, the Veterans' Administration or any other department or agency of the United States Government: Provided, That any such sale on credit or loan is subject to a maximum rate of interest established by law or by such department or agency.

Section 2. The act is amended by adding a section to read:

Section 21.1. A seller or holder may not accelerate the maturity of installment sales contract, commence any legal action or repossess without legal process unless the buyer is in default and unless the seller or holder shall provide the buyer with notice, sent by certified mail, to the buyer's last known address or delivered personally to the residence of the buyer, informing the buyer (1) of his right to cure the default upon payment of the amount in default plus delinquency or deferral charges within twenty-one (21) days of the date of receipt of such notice, (2) the name, address and telephone number of the seller or holder, (3) the total amount due, including amount of delinquency charges, (4) the exact date by which the amount due must be paid, (5) the name, address and telephone number of the person to whom payment must be made, and (6) other performance necessary to cure a default arising from other than nonpayment herein and the buyer is given the rights so specified. The seller or holder shall not be required to provide such notice more than once in any twelve (12) month period. The act of curing a default restores to the buyer his rights under the installment sales contract as though no default had occurred.

Section 3. This act shall take effect immediately.

APPROVED—The 18th day of June, A. D. 1982.

DICK THORNBURGH