

ASSEMBLY, No. 544

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblywoman TURNER

1 AN ACT concerning certain credit card interest rates and amending  
2 P.L.1971, c.409.

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4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

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7 1. Section 17 of P.L.1971, c.409 (C.17:16C-44.1) is amended to  
8 read as follows:

9 17. (a) Notwithstanding any other law to the contrary, a retail  
10 seller, sales finance company, banking institution or other holder may  
11 charge, receive and collect a time price differential in each billing  
12 period on obligations incurred pursuant to any retail charge account,  
13 which shall be determined as specified in the terms of the account,  
14 subject to the limitations provided herein. Such time price differential  
15 for each monthly billing period shall not exceed the amount resulting  
16 from applying the periodic [rates] rate provided herein to the [greater  
17 of the following amounts (including unpaid time price differentials):

18 (i) The] average daily balance of the account for [such] the billing  
19 period[, or

20 (ii) The balance of the account at the beginning or end of such  
21 billing period].

22 The periodic rate [or rates] for any calendar quarter shall not  
23 exceed [an amount agreed to by the retail seller, sales finance  
24 company, banking institution, or other holder and the retail buyer] by  
25 more than four percentage points the underpayment rate for  
26 individuals, established pursuant to section 6621(a)(2) of the Internal  
27 Revenue Code, 26 U.S.C. §6621(a)(2), as that rate is published in the  
28 Table of Interest Rates--Underpayment and Overpayment of Taxes, in  
29 the Internal Revenue Bulletin, effective for the immediately preceding  
30 calendar quarter.

31 The terms of the retail charge account may provide that the periodic  
32 rate used to determine the time price differential may be increased or

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 may be decreased or both from time to time; provided, however, that  
2 no increase shall be effective unless: (1) at least [90 days prior to the  
3 effective date of the first such increase, or] 30 days prior to the  
4 effective date of any [subsequent] increase, a written notice has been  
5 mailed or delivered to the retail buyer that clearly and conspicuously  
6 describes such change and the indebtedness to which it applies and  
7 states that the incurrence by the retail buyer or another person  
8 authorized by him of any further indebtedness under the plan to which  
9 the agreement relates on or after the effective date of the increase  
10 specified in the notice shall constitute acceptance of the increase  
11 and[(b)](2) either the retail buyer agrees in writing to the increase or  
12 the retail buyer or another person authorized by him incurs such  
13 further indebtedness on or after the effective date of the increase  
14 stated in the notice. The provisions of this paragraph permitting an  
15 increase in the time price differential shall not apply in the case of an  
16 agreement which expressly prohibits changing of the time price  
17 differential or which provides limitations on changing of the time price  
18 differential which are more restrictive than the requirements of this  
19 paragraph. [If the] The terms of the retail charge account [provide]  
20 providing for the possibility of an increase or decrease, or both, in the  
21 periodic rate used to determine the time price differential[, that fact]  
22 shall be clearly described in plain language, in at least 8-point bold face  
23 type on the face of the written notice, and shall include information  
24 describing how the periodic rate is determined and where the  
25 underpayment rate for individuals is published.

26 [Notwithstanding the foregoing limitation, if the terms of the  
27 account so provide, the time price differential may be computed on the  
28 median amount within a specified range. Such time price differential  
29 for each monthly billing period shall not exceed the amount resulting  
30 from applying the respective periodic rates specified above to the  
31 median amount within the specified range in which the greater of the  
32 amounts specified in (i) and (ii) is included; provided, subject to the  
33 classifications and differentiations as may reasonably be established by  
34 the retail seller, sales finance company, banking institution or other  
35 holder, the same time price differential is charged on all balances  
36 within the specified range and provided further that the time price  
37 differential determined by applying the respective periodic rates  
38 specified above to the median amount within the range does not  
39 exceed by more than 8% the amount of the time price differential  
40 determined by applying the respective periodic rates specified above  
41 to the lowest amount in the range.]

42 (b) If the billing period is not monthly, the maximum periodic rate  
43 shall be that rate which bears the same relation to the respective  
44 periodic rates per month specified above as the number of days in the  
45 billing period bears to 30.

46 (c) Notwithstanding the limitation provided in subsection (a)

1 [above] of this section, for any monthly billing period in which a time  
2 price differential may be charged pursuant to the terms of the account  
3 a minimum time price differential of not more than \$0.50 may be  
4 charged; if the billing period is not monthly, a minimum time price  
5 differential may be charged in such amount which bears the same  
6 relation to \$0.50 as the number of days in the billing period bears to  
7 30.

8 (d) When calculating the amount of a time price differential for a  
9 billing period, the annual periodic rate established pursuant to  
10 subsection (a) of this section shall be applied to the average daily  
11 balance in that billing period with respect to the total indebtedness in  
12 the retail buyer's account.

13 (cf: P.L.1981, c.103, s.14)

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15 2. This act shall take effect on the first day of the first calendar  
16 quarter following the 120th day after enactment.

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#### STATEMENT

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21 This bill establishes a ceiling on the periodic rate used to determine  
22 a time-price differential with respect to balances in retail charge  
23 accounts which are regulated pursuant to the "Retail Installment Sales  
24 Act of 1960," P.L.1960, c.40 (C.17:16C-1 et seq.). The ceiling would  
25 be 4% over the rate of interest required to be paid by individuals for  
26 underpayment of federal income tax as that rate is established pursuant  
27 to paragraph (2) of subsection (a) of section 6621 of the Internal  
28 Revenue Code, 26 U.S.C. §6621(a)(2) and published in the Internal  
29 Revenue Bulletin. This bill also provides that: an increase in the  
30 periodic rate would not be permitted until 30 days after a notice  
31 describing the increase has been sent to retail charge account  
32 customers. Holders of retail charge accounts are required to provide  
33 information on how the periodic rate is determined and where the  
34 federal rate for underpayment of federal income tax is published. The  
35 periodic rate as determined pursuant to this act would apply to the  
36 total average daily balance in a retail buyer's retail installment account,  
37 if any, during a billing period.

38 The provisions of the bill would become effective on the first day  
39 of the first calendar quarter following the 120th day after enactment.

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44 Imposes indexed cap on certain credit card interest rates.