

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 787

Short Title: Consumer Credit/Finance Charge Rates. (Public)

Sponsors: Representatives Jones, K. Hall, and Humphrey (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Banking, if favorable, Rules, Calendar, and Operations of the House

April 18, 2019

1 A BILL TO BE ENTITLED
2 AN ACT TO INCREASE THE MAXIMUM FINANCE CHARGE RATES FOR CONSUMER
3 CREDIT INSTALLMENT SALE CONTRACTS IN WHICH THE BUYER IS NOT A
4 SERVICEMEMBER AND TO EXPAND THE DEFINITION OF OFFICIAL FEES AS
5 APPLIED TO THOSE CONTRACTS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Chapter 25A of the General Statutes is amended by adding a new
8 section to read:

9 **"§ 25A-13.5. "Servicemember" defined.**

10 "Servicemember" means a member of the uniformed services, as defined in 10 U.S.C. §
11 101(a)(5)."

12 **SECTION 2.** G.S. 25A-10 reads as rewritten:

13 **"§ 25A-10. "Official fees" defined.**

14 "Official fees" ~~means~~ means any of the following:

15 (1) ~~Fees~~ If the buyer is a servicemember, fees and charges prescribed by law
16 ~~which that~~ actually are or will be paid to public officials for determining the
17 existence of or for perfecting, releasing, or satisfying a security interest related
18 to a consumer credit sale; or sale.

19 (1a) If the buyer is not a servicemember, fees and charges prescribed by law that
20 actually are or will be paid by the seller for determining the existence of or for
21 perfecting, releasing, or satisfying a security interest related to a consumer
22 credit sale.

23 (2) Premiums payable for insurance in lieu of perfecting a security interest
24 otherwise required by the seller in connection with a consumer credit sale if
25 the premium does not exceed the fees or charges described in subdivision (1)
26 of this section which would otherwise be payable."

27 **SECTION 3.** G.S. 25A-15 reads as rewritten:

28 **"§ 25A-15. Finance charge rates for consumer credit installment sale contracts.**

29 (a) With respect to a consumer credit installment sale contract, a seller may contract for
30 and receive a finance charge not exceeding that permitted by this section. For the purposes of
31 this section, the finance charge rates are the rates that are required to be disclosed by the
32 Consumer Credit Protection Act.

33 (a1) Notwithstanding subsection (a) of this section, all of the following apply to consumer
34 credit installment sale contracts in which the buyer is not a servicemember:



1 (1) For the purposes of this section, the finance charge rates are the rates that are
2 required to be disclosed by the Consumer Credit Protection Act, except that
3 official fees under G.S. 25A-10 shall be included in the amount financed and
4 excluded from the finance charge.

5 (2) All balances due under a consumer credit installment sale contract from any
6 person as a buyer or as an endorser, guarantor, or surety for any buyer or
7 otherwise jointly or severally shall be considered a part of the amount financed
8 with regard to the contract for the purpose of computing interest or charges.

9 (b) ~~Except as hereinafter provided, otherwise provided in this section,~~ the finance charge
10 rate for a consumer credit installment ~~sales~~ sale contract may in which the buyer is a
11 servicemember shall not exceed ~~exceed~~ the following rate except that a minimum finance charge
12 of five dollars (\$5.00) may be imposed:

13 (1) Twenty-four percent (24%) per annum where the amount financed is less than
14 one thousand five hundred dollars ~~(\$1,500);~~ (\$1,500).

15 (2) Twenty-two percent (22%) per annum where the amount financed is one
16 thousand five hundred dollars (\$1,500) or greater, but less than two thousand
17 dollars ~~(\$2,000);~~ (\$2,000).

18 (3) Twenty percent (20%) per annum where the amount financed is two thousand
19 (\$2,000) or greater, but less than three thousand dollars ~~(\$3,000);~~ (\$3,000).

20 (4) Eighteen percent (18%) per annum where the amount financed is three
21 thousand dollars (\$3,000) or ~~greater;~~ greater.

22 ~~except that a minimum finance charge of five dollars (\$5.00) may be imposed.~~

23 (b1) Except as otherwise provided in this section, the finance charge rate for a consumer
24 credit installment sale contract in which the buyer is not a servicemember shall not exceed the
25 following rate except that a minimum finance charge of five dollars (\$5.00) may be imposed:

26 (1) Twenty-four percent (24%) per annum where the amount financed is less than
27 three thousand five hundred dollars (\$3,500).

28 (2) Twenty-two percent (22%) per annum where the amount financed is three
29 thousand five hundred dollars (\$3,500) or greater, but less than five thousand
30 dollars (\$5,000).

31 (3) Twenty percent (20%) per annum where the amount financed is five thousand
32 dollars (\$5,000) or greater, but less than seven thousand five hundred dollars
33 (\$7,500).

34 (4) Eighteen percent (18%) per annum where the amount financed is seven
35 thousand five hundred dollars (\$7,500) or greater.

36 (c) A finance charge rate not to exceed the higher of the rate established in subsection (b)
37 of this section or the rate set forth below may be imposed in a consumer credit installment sale
38 contract (i) that is repayable in not less than six installments for a self-propelled motor
39 ~~vehicle;~~ vehicle and (ii) in which the buyer is a servicemember:

40 (1) Eighteen percent (18%) per annum for vehicles one and two model years
41 ~~old;~~ old.

42 (2) Twenty percent (20%) per annum for vehicles three model years ~~old;~~ old.

43 (3) Twenty-two percent (22%) per annum for vehicles four model years ~~old;~~
44 and old.

45 (4) Twenty-nine percent (29%) per annum for vehicles five model years old and
46 older.

47 A motor vehicle is one model year old on January 1 of the year following the designated year
48 model of the vehicle.

49 (c1) A finance charge rate not to exceed the higher of the rate established in subsection
50 (b1) of this section or the rate set forth below may be imposed in a consumer credit installment

1 sale contract (i) that is repayable in not less than six installments for a self-propelled motor
2 vehicle and (ii) in which the buyer is not a servicemember:

3 (1) Eighteen percent (18%) per annum for vehicles one model year old.

4 (2) Twenty percent (20%) per annum for vehicles two model years old.

5 (3) Twenty-two percent (22%) per annum for vehicles three model years old.

6 (4) Twenty-nine percent (29%) per annum for vehicles four model years old and
7 older.

8 A motor vehicle is one model year old on January 1 of the year following the designated year
9 model of the vehicle.

10 (d) ~~Notwithstanding the provisions of subsections (b), and (c), above, (b1), (c), and (c1)~~
11 ~~of this section,~~ in the event that the amount financed in a consumer credit sale contract is secured
12 in whole or in part by a security interest in real property, the finance charge rate ~~may~~ shall not
13 exceed sixteen percent (16%) per annum.

14 (e) A seller ~~may~~ shall not divide a single credit sale transaction into two or more sales to
15 avoid the limitations as to maximum finance charges imposed by this section.

16 (f) ~~Notwithstanding the provisions of subsections (b), or (d), (b1), and (d) of this section,~~
17 the parties to a consumer credit installment sale contract for the sale of a residential manufactured
18 home ~~which that~~ is secured by a first lien on that home or on the land on which ~~such the~~ home is
19 located may contract in writing for the payment of a finance charge as agreed upon by the parties.
20 ~~Provided, this subsection shall only apply~~ This subsection only applies if the parties ~~would have~~
21 ~~been~~ are entitled to so contract by the provisions of ~~section~~ Section 501 of United States Public
22 Law 96-221, and have complied with the regulations ~~promulgated thereto~~ adopted under it.

23 For the purposes of this ~~subsection (f), subsection,~~ a "residential manufactured home" means
24 a ~~mobile~~ manufactured home as defined in G.S. 143-145(7) ~~which that~~ is used as a dwelling."

25 **SECTION 4.** This act becomes effective October 1, 2019, and applies to contracts
26 entered into, renewed, or modified on or after that date.