

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 937 Session of
2009

INTRODUCED BY RAFFERTY, FONTANA, O'PAKE, GREENLEAF, COSTA,
WONDERLING, DINNIMAN AND WASHINGTON, JUNE 5, 2009

REFERRED TO BANKING AND INSURANCE, JUNE 5, 2009

AN ACT

1 Amending Title 7 (Banks and Banking) of the Pennsylvania
2 Consolidated Statutes, further providing for requirements as
3 to open-end loans.

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

6 Section 1. Section 6126 of Title 7 of the Pennsylvania
7 Consolidated Statutes is amended to read:

8 § 6126. Requirements as to open-end loans.

9 The following shall apply:

10 (1) A mortgage lender may make open-end loans and may
11 contract for and receive thereon interest and charges as set
12 forth under this chapter.

13 (2) A mortgage lender shall not compound interest by
14 adding any unpaid interest authorized by this section to the
15 unpaid principal balance of the consumer's account, provided,
16 however, that the unpaid principal balance may include the
17 additional charges authorized by this subchapter.

18 (3) Interest authorized by this section shall be deemed

1 not to exceed the maximum interest permitted by this
2 subchapter if the interest is computed in each billing cycle
3 by any of the following methods:

4 (i) by converting the monthly rate to a daily rate
5 and multiplying the daily rate by the applicable portion
6 of the daily unpaid principal balance of the account, in
7 which case the daily rate shall be $1/30$ of the monthly
8 rate;

9 (ii) by multiplying the monthly rate by the
10 applicable portion of the average monthly unpaid
11 principal balance of the account in the billing cycle, in
12 which case the average daily unpaid principal balance is
13 the sum of the amount unpaid each day during the cycle
14 divided by the number of days in the cycle; or

15 (iii) by converting the monthly rate to a daily rate
16 and multiplying the daily rate by the average daily
17 unpaid principal balance of the account in the billing
18 cycle, in which case the daily rate shall be $1/30$ of the
19 monthly rate.

20 (4) For all of the methods of computation in paragraph
21 (3)(i), (ii) and (iii), the billing cycle shall be monthly,
22 and the unpaid principal balance on any day shall be
23 determined by adding to any balance unpaid as of the
24 beginning of that day all advances and other permissible
25 amounts charged to the consumer and deducting all payments
26 and other credits made or received that day.

27 (5) The consumer may at any time pay all or any part of
28 the unpaid balance in the consumer's account without
29 prepayment penalty or, if the account is not in default, the
30 consumer may pay the unpaid principal balance in monthly

1 installments. Minimum monthly payment requirements shall be
2 determined by the licensee and set forth in the agreement
3 evidencing the open-end loan.

4 (6) A mortgage lender may contract for and receive the
5 fees, costs and expenses permitted by this subchapter on
6 other first or secondary mortgage loans, subject to all the
7 conditions and restrictions set forth in this subchapter,
8 with the following variations:

9 (i) If credit life or disability insurance is
10 provided and if the insured dies or becomes disabled when
11 there is an outstanding open-end loan indebtedness, the
12 insurance shall be sufficient to pay the total balance of
13 the loan due on the date of the consumer's death in the
14 case of credit life insurance or all minimum payments
15 which become due on the loan during the covered period of
16 disability in the case of credit disability insurance.
17 The additional charge for credit life insurance or credit
18 disability insurance shall be calculated in each billing
19 cycle by applying the current monthly premium rate for
20 insurance, as the rate may be determined by the Insurance
21 Commissioner, to the unpaid balances in the consumer's
22 account, using any of the methods specified in paragraph
23 (3) for the calculation of loan charges.

24 (ii) No credit life or disability insurance written
25 in connection with an open-end loan shall be canceled by
26 the licensee because of delinquency of the consumer in
27 the making of the required minimum payments on the loan
28 unless one or more of the payments is past due for a
29 period of 90 days or more, and the licensee shall advance
30 to the insurer the amounts required to keep the insurance

1 in force during the period, which amounts may be debited
2 to the consumer's account.

3 (iii) The amount, terms and conditions of any
4 insurance against loss or damage to property must be
5 reasonable in relation to character and value of the
6 property insured and the maximum anticipated amount of
7 credit to be extended.

8 (7) Notwithstanding any other provisions in this chapter
9 to the contrary, a mortgage lender may retain any security
10 interest in real or personal property until the open-end loan
11 is terminated, provided that, if there is no outstanding
12 balance in the account and there is no commitment by the
13 licensee to make advances, the mortgage lender shall, within
14 ten days following written demand by the consumer, deliver to
15 the consumer a release of the mortgage, indenture, deed of
16 trust or any other similar instrument or document on any real
17 property taken as security for the open-end loan. The
18 mortgage lender shall include on all billing statements
19 provided in connection with an open-end loan a statement that
20 the licensee retains a security interest in the consumer's
21 real property whenever the security interest has not been
22 released.

23 (8) A mortgage lender may charge, contract for, receive
24 or collect on any open-end loan account an annual fee not to
25 exceed \$50 per year.

26 (9) A mortgage lender may not reduce the available line
27 of credit on a home equity open-end loan unless:

28 (i) the lender pays for and provides a copy to the
29 homeowner of a full written appraisal of the home
30 completed within 30 days of written notice to the

1 homeowner of proposed reduction of the available line of
2 credit and considers any contrary appraisal evidence
3 presented by the homeowner in writing at least ten days
4 prior to the proposed reduction date; or

5 (ii) the lender provides written notice to the
6 homeowner at least 180 days prior to the date of the
7 proposed reduction of the available line of credit and
8 considers any appraisal evidence presented by the
9 homeowner in writing at least ten days prior to the
10 proposed reduction date.

11 Section 2. This act shall take effect in 60 days.