



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1128

PRINTERS NO. 1377

PRIME SPONSOR: Ross

COST / (SAVINGS)

FUND	FY 2012/13	FY 2013/14
Banking Fund	\$0	\$0

SUMMARY: Codifies and modernizes the Motor Vehicle Sales Finance Act and the Goods and Services Installment Sales Act into Consolidated Title 12. This legislation would take effect in one year.

ANALYSIS: This legislation updates the provisions of PA law regarding the financing of motor vehicle purchases and the purchases of other goods and services. The bill moves the provisions of law into Consolidated Title 12, adds and modifies definitions, harmonizes with appropriate federal law, clarifies and adds administrative and regulatory provisions, and clarifies provisions related to repossessions.

I. In regard to the Motor Vehicle Sales Finance Act, the following changes are made:

Definitions: Adds definitions of recreational vehicle, service contract, unpaid purchase price balance and warranty.

Federal Law:

1. Reduces the gross vehicular weight needed to qualify as a heavy commercial vehicle from 15,000 to 13,000 pounds to maintain consistency with federal motor carrier safety regulations.
2. Ensures that federal Regulation Z (which regulates the disclosure of finance charges pursuant to the federal Truth in Lending Act, P.L. 90-321) controls disclosure of the terms and conditions of loans.
3. Requires refinance charges for manufactured homes to comply with regulations of the federal Housing Administration.
4. Federal law and regulation are to govern maximum refinance charges and rates of interest for refinancing if the charge is insured or guaranteed by the Veterans' Administration or other federal agencies.

Administrative and Regulatory Provisions:

1. Requires the Department of Banking to furnish each licensee with the provisions of the statute.
2. Establishes that legal actions on any installment sales contract are to be filed in a county where the buyer signed a contract, where the buyer resided at the time the action was commenced, or where the buyer resided at the time of entering into the contact.
3. Requires initial license applications to include the street address, rather than post office box.
4. Doubles the bonding requirement for a sales finance company to \$10,000.
5. Limits departmental determinations on license issuance or renewal to examination of the applicant's fitness and is not to include the spouse who is not part of the business.

Provisions of Installment Sale Contracts:

1. Replaces the \$0.50 charge for duplicate copies of either an installment sale contract or an additional statement of account with a "reasonable fee not to exceed the cost of production."
2. Requires installment sale contracts to inform a buyer of possible additional rights under the state Unfair Trade Practices and Consumer Protection Law.
3. Allows for an acceleration clause triggered by a buyer bankruptcy filing, defaults in payment of a cross-collateralized obligation or fraudulent or misleading information on a buyer's credit application.

Powers and Duties of Installment Sellers:

1. Requires a holder to notify a paid-in-full buyer by notation on specified instruments which are to be returned to that buyer with delivery in ten days of the tender date of payment in full.
2. Installment sellers of manufactured homes are allowed to charge appraisal fees, if justified by changes in actual charges and are disclosed to the buyer.
3. No waiver of the provisions of this chapter by the buyer is allowed.
4. Limits the cost of repairs that may be added to the contract to those necessary at the time of the sale.

Repossession:

1. Ensures that repossession of motor vehicles in commercial transactions is to be governed principally by the secured transactions provisions of the Uniform Commercial Code.
2. Requires repossession notices to contain the name and address of the person that the buyer may contact to receive a full statement of account.

3. Amplifies the provision relating to personal property left in repossessed vehicles to allow disposal of that personal property after 30 days.
4. Requires the seller or holder to provide the title and all necessary documents to a purchaser of a repossessed motor vehicle.

II. In regard to the Goods and Services Installment Sales Act, the following changes are made:

1. Requires contract application to be completed before signing, and prohibits filling in blank spaces post consumer's signature.
2. Provides minimum standards for headings, notices and other language of a contract or agreement.
3. Saves the provisions of the Electronic Transactions Act and allows the department to implement provisions for electronic transactions.
4. Requires a seller or holder to comply with the Fair Credit Extension Uniformity Act.
5. Stipulates that notices of repossession and acceleration of debt must also include information to the buyer on the way in which defaults may be cured upon the payment of extension charges and actual repossession costs.
6. Requires a closed-end credit agreement to include a statement to the buyer that the seller may collect late fees, collection costs, costs from nonaffiliated entities and deferment and extension charges.
7. Increases the late fee dollar amount for a closed-end credit agreement from \$5.00 to \$10.00 and expands the language to provide that actual and reasonable costs of collection include official fees, court fees and attorneys' fees.
8. Increases the minimum finance charge under an open-ended credit agreement from \$.50 to \$1.00.
9. Increases the percentage rate for an extension or deferment charge for a closed-end agreement from 1% to 1.5% per month simple interest.
10. Increases the charge for an extension or deferment from \$1.00 to \$10.00.
11. Provides that a violation of this new chapter is also a violation of the Unfair Trade Practices Act.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth funds.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: April 23, 2013

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.