

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2599 Session of
2002

INTRODUCED BY ALLEN, MUNDY, PHILLIPS, FAIRCHILD, RAYMOND,
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GODSHALL, GRUITZA, HABAY, HARHART, HENNESSEY, HERMAN,
HERSHEY, HESS, HORSEY, HUTCHINSON, KAISER, KENNEY, LaGROTTA,
LAUGHLIN, LAWLESS, LEH, LESCOVITZ, LUCYK, LYNCH, MAJOR,
MANDERINO, MANN, MARKOSEK, MARSICO, McCALL, McILHATTAN,
McNAUGHTON, MELIO, MICHLOVIC, MICOZZIE, NAILOR, NICKOL,
O'BRIEN, PALLONE, PERZEL, PETRARCA, PIPPY, PRESTON, READSHAW,
REINARD, ROBERTS, ROONEY, ROSS, RUBLEY, SAINATO, SANTONI,
SAYLOR, SCRIMENTI, SEMMEL, SHANER, S. H. SMITH, STABACK,
STAIRS, STERN, T. STEVENSON, R. STEVENSON, STRITTMATTER,
STURLA, SURRA, TANGRETTI, J. TAYLOR, TRELLO, TULLI, TURZAI,
VEON, WANSACZ, WILT, M. WRIGHT, YOUNGBLOOD, ZUG AND PICKETT,
APRIL 29, 2002

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
JUNE 19, 2002

AN ACT

1 Amending the act of June 28, 1947 (P.L.1110, No.476), entitled
2 "An act defining and regulating certain installment sales of
3 motor vehicles; prescribing the conditions under which such
4 sales may be made and regulating the financing thereof;
5 regulating and licensing persons engaged in the business of
6 making or financing such sales; prescribing the form,
7 contents and effect of instruments used in connection with
8 such sales and the financing thereof; prescribing certain
9 rights and obligations of buyers, sellers, persons financing
10 such sales and others; limiting incidental charges in
11 connection with such instruments and fixing maximum interest
12 rates for delinquencies, extensions and loans; regulating
13 insurance in connection with such sales; regulating
14 repossessions, redemptions, resales and deficiency judgments
15 and the rights of parties with respect thereto; authorizing
16 extensions, loans and forbearances related to such sales;
17 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 definitions, for licensing, for sanctions, for administration, for records, for contracts, for assignments, for insurance, for finance costs, for refinancing, for default, for repossession and redemption, for prohibited charges, for exemptions and for penalties.

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

Section 1. Clauses 11, 13, 14, 16 and 18 of section 3 of the act of June 28, 1947 (P.L.1110, No.476), known as the Motor Vehicle Sales Finance Act, are amended and the section is amended by adding clauses to read:

Section 3. Definitions.--The following words, terms and phrases when used in this act shall have the meaning ascribed to them in this section, except where the context clearly indicates otherwise:--

* * *

11. "Cash price" shall mean the [minimum] price measured in dollars at which the seller would in good faith sell to the buyer or to any other buyer under like circumstances, and the buyer would in good faith buy from the seller, the motor vehicle which is the subject matter of the installment sale contract, if such sale were a sale for cash instead of an installment sale.

* * *

13. "Principal amount financed" shall mean the unpaid cash price balance after deducting the down payment, adding the [cost of] charges for any insurance [premiums] required or obtained as security for or by reason of the sale of a motor vehicle under an installment sale contract, and adding other costs or charges necessary or incidental to the sale of the motor vehicle under [such] an installment sale contract[, which the seller contracts to pay on behalf of the buyer, and for the amount of which the

1 seller agrees to extend credit to the buyer, and for which the
2 buyer contracts voluntarily.] and amounts representing payment
3 of a prior credit or lease balance to discharge a security
4 interest, lien or lease interest on a motor vehicle or other
5 property traded or returned.

6 13.1. "Charges" shall mean the price measured in dollars in
7 which the seller would in good faith sell to the buyer or to any
8 other buyer under like circumstances, and the buyer would in
9 good faith buy from the seller, any goods and services which are
10 subject to the installment sale contract, if the sale were a
11 sale for cash instead of an installment sale.

12 13.2. "Charges for insurance" shall mean premiums,
13 commissions and other payments authorized by insurance statutes
14 or regulations of this Commonwealth.

15 14. "Finance charge" shall mean the amount of the
16 consideration in excess of the cash price which the buyer is
17 required to pay to the seller for the privilege of purchasing a
18 motor vehicle under an installment sale contract, or for the
19 credit extended by the seller to the buyer in conjunction with
20 the sale of a motor vehicle under an installment sale contract,
21 or it shall mean the differential between the cash sale price of
22 the motor vehicle and the installment sale price, exclusive of
23 charges for insurance [premium costs] and other [costs] charges
24 necessary or incidental to an installment sale and any default
25 charges, which are specifically authorized by this act to be
26 included in an installment sale contract.

27 * * *

28 16. "Security interest" shall mean [any property right in
29 the motor vehicle which is the subject of an installment sale
30 contract, whenever such right is retained, to secure performance

1 of any obligation of the buyer under such contract, any
2 extension, deferment, renewal or other revision thereof and the
3 term shall include any lien or encumbrance against such motor
4 vehicle, any interest of a mortgagee in such motor vehicle, and
5 any reservation of title to such motor vehicle, whether or not
6 expressed to be absolute, whenever such title is in substance
7 retained for security only] a security interest as provided by
8 13 Pa.C.S. Div. 9 (relating to secured transactions).

9 * * *

10 18. ["Administrator"] "Department" shall mean the Department
11 of Banking of the Commonwealth [of Pennsylvania].

12 * * *

13 23. "Secretary" shall mean the Secretary of Banking of the
14 Commonwealth.

15 Section 2. Sections 4, 5 and 6 of the act are amended to
16 read:

17 Section 4. Licenses Required.--On and after the effective
18 date of this act no person shall engage or continue to engage in
19 this Commonwealth either as principal, employe, agent or broker;

20 1. In the business of an installment seller of motor
21 vehicles under installment sale contracts, except as authorized
22 in this act, under license issued by the [administrator]
23 department, or

24 2. In the business of a sales finance company, except as
25 authorized in this act, under license issued by the
26 [administrator] department, or

27 3. In the business of a collector-repossessor, except as
28 authorized in this act, under license issued by the
29 [administrator] department.

30 Section 5. Applications for Licenses.--

1 A. Applications for licenses under this act shall be in
2 writing, under oath, and in the form prescribed by the
3 [administrator] department.

4 B. The application shall contain the name under which the
5 business is conducted, the address of the place of business, the
6 date of registration of the fictitious or trade name, if any,
7 with the Secretary of the Commonwealth; the date and place of
8 incorporation, if the applicant is a corporation; the name and
9 residence address of the owner, if the applicant is an
10 individual owner; the name and residence address of all owners,
11 partners or members, if the applicant is a partnership or
12 association; the name and address of all officers and directors,
13 if the applicant is a corporation, and such other information as
14 the [administrator] department may require.

15 C. All applications filed by associations or corporations
16 shall be accompanied by a power of attorney showing the name and
17 address of the authorized agent in the Commonwealth of
18 Pennsylvania upon whom all judicial and other process or legal
19 notice may be served, and in the case of the death, removal from
20 the Commonwealth or any legal disability or disqualification of
21 such agent, service of such process or notice upon the
22 [administrator] department shall be authorized.

23 D. A separate application, on the prescribed form, shall be
24 filed for each place of business conducted by or to be
25 established by a licensee within the Commonwealth of
26 Pennsylvania.

27 E. All applications for renewal licenses shall be filed at
28 least fifteen (15) days prior to October first, annually.

29 Section 6. License; Bonds.--

30 A. A bond, in the form prescribed by the [administrator]

1 department, in the penal sum of five thousand dollars (\$5,000),
2 shall accompany every application for license as a sales finance
3 company and for license as a collector-repossessor. Such bond
4 shall be executed by a surety company authorized by the laws of
5 Pennsylvania to transact business within this Commonwealth:
6 Provided, That the bond accompanying an application for license
7 as a sales finance company, filed by a banking institution
8 located within this Commonwealth, may be executed by such
9 banking institution on its own behalf, in lieu of a bond
10 executed by a surety company. The bond shall be executed to the
11 Commonwealth of Pennsylvania and shall be for the use of the
12 Commonwealth and for any person or persons. The condition of the
13 bond shall be that the licensee will comply with and abide by
14 all the provisions of this act, and all the rules and
15 regulations of the [administrator] department lawfully issued,
16 and that the licensee will pay to the Commonwealth, to the
17 [administrator] department or to any person or persons, any and
18 all moneys that may become due to the Commonwealth, to the
19 [administrator] department or to any person or persons from the
20 said licensee under and by virtue of the provisions of this act.
21 If any person shall be aggrieved by the misconduct of a licensee
22 and shall recover judgment against such licensee, such person
23 may, on any execution issued under such judgment, maintain an
24 action upon the bond of the licensee in any court having
25 jurisdiction of the amount claimed, provided the [administrator]
26 department assents thereto.

27 B. A bond in the form prescribed shall be filed for each
28 place of business conducted by a finance company and for each
29 place of business conducted by a collector-repossessor within
30 the Commonwealth of Pennsylvania.

1 C. A new bond shall accompany every application for renewal
2 license and shall be filed at least fifteen (15) days prior to
3 October first, annually.

4 Section 3. Section 7 of the act, amended December 22, 1977
5 (P.L.345, No.101), is amended to read:

6 Section 7. License Fees.--

7 A. Each application for license shall be accompanied by a
8 license fee in the amount of:--

9 1. Twenty-five dollars (\$25) for license as an installment
10 seller of motor vehicles.

11 2. One hundred fifty dollars (\$150) for license as a sales
12 finance company.

13 3. One hundred fifty dollars (\$150) for license as a
14 collector-repossessor.

15 B. A separate license fee of like amount shall be paid for
16 each place of business conducted by a licensee within the
17 Commonwealth of Pennsylvania.

18 C. No abatement in the amount of the said license fee shall
19 be made if the license is issued for less than one year, or if
20 the license is surrendered, cancelled or revoked prior to the
21 expiration of the license year for which such license was
22 issued.

23 D. All licenses under this act shall expire on October
24 first, annually. A renewal license fee in the same amount shall
25 be paid annually on or before October first for each respective
26 type of license and for each place of business.

27 E. All license fees and fines received by the
28 [administrator] department under this act shall be deposited in
29 the State Treasury to the credit of a special fund for the use
30 of the [administrator] department in administering this and

1 other laws of the Commonwealth placed under [his] its
2 administration.

3 Section 4. Section 8 of the act is amended to read:

4 Section 8. Approval of Licenses and Issuance of Licenses.--

5 A. [The administrator, if he] If the department approves an
6 application for license, it shall issue to the applicant a
7 license certificate showing the name of the person authorized to
8 do business thereunder and the address of the licensee. Such
9 license certificate when issued to an installment seller or to a
10 sales finance company shall be posted in a conspicuous place in
11 the place of business of the licensee, so that it will be in
12 full view of the public at all times; and when issued to a
13 collector-repossessor shall be carried in the immediate
14 possession of the licensee whenever he is engaged in the type of
15 business for which the license is issued, so that it may be
16 presented for inspection upon request of any person entitled to
17 such inspection.

18 B. A license shall not be transferred or assigned.

19 C. A licensee may change his place of business to another
20 location within the same municipality for which the license
21 certificate was issued. A licensee desiring to change the
22 address of his place of business shall give prior written notice
23 thereof to the [administrator] department and shall return the
24 license certificate to the [administrator] department for
25 amendment. The [administrator] department shall amend the
26 license certificate to show the new address and the date
27 thereof, which shall thereafter be the authorized address of the
28 licensee. A licensee shall not be required to pay any charge for
29 amendment of a license certificate to effect change of address.

30 D. Only one place of business may be operated under the same

1 license: Provided, however, That where every place of business
2 is conducted under one name and the business records are kept in
3 one place only one license shall be required. This proviso shall
4 apply only to installment sellers. A licensee may operate more
5 than one place of business by filing an application on the
6 prescribed form for each additional place of business and by
7 furnishing a bond for each additional place of business in the
8 case of a sales finance company and collector-repossessor and by
9 paying the respective license fee provided in this act for each
10 additional place of business.

11 Section 5. Section 9 of the act, repealed in part April 28,
12 1978 (P.L.202, No.53), is amended to read:

13 Section 9. Rejection of Application.--

14 A. The [administrator] department may reject any application
15 for license or any application for renewal of a license if [he]
16 it is not satisfied that the financial responsibility,
17 character, reputation, integrity and the general fitness of the
18 applicant and of the owners, partners or members thereof, if the
19 applicant be a partnership or association, and of the officers
20 and directors, if the applicant be a corporation, are such as to
21 command the confidence of the public and to warrant the belief
22 that the business for which application for license is filed
23 will be operated lawfully, honestly, fairly and within the
24 legislative intent of this act and in accordance with the
25 general laws of this Commonwealth: Provided, however, That no
26 license may be issued if the applicant, any affiliate, owner,
27 partner, member, officer, director, employe, agent or spouse of
28 the applicant has pleaded guilty, entered a plea of nolo
29 contendere, or has been found guilty by a judge or a jury for
30 engaging in any business for which a license is required under

1 this act without having obtained a license under this act, or if
2 the applicant, any affiliate, owner, partner, member, officer,
3 director, employe, agent or spouse of the applicant has pleaded
4 guilty, entered a plea of nolo contendere, or has been found
5 guilty by a judge or a jury of a second offense violation of
6 this act under the penal section of this act applicable to
7 licensees and had its license revoked.

8 C. Whenever the [administrator] department rejects an
9 application for license, [he] it shall return the license fee
10 which accompanied the application: Provided, however, All or any
11 portion of the license fee may be retained by the
12 [administrator] department if rejection is based wholly or
13 partially upon false information furnished by the applicant in
14 the application.

15 Section 6. Section 10 of the act, amended December 17, 1982
16 (P.L.1389, No.318), is amended to read:

17 Section 10. Revocation or Suspension of Licenses.--

18 A. The [administrator] department, upon thirty (30) days'
19 written notice to the licensee, forwarded by registered mail to
20 the place of business of such licensee, as shown in the
21 application for license or as amended on the license certificate
22 in case of change of address subsequent to issuance of the
23 license certificate, may revoke or suspend any license if [he]
24 it finds that:

25 1. The licensee has made any material misstatement in the
26 application for license, or that

27 2. The licensee has violated any provision of this act, or
28 that

29 3. The licensee has violated any rule or regulation issued
30 by the [administrator] department under and within the authority

1 of this act, or that

2 4. The licensee has failed to comply with any demand, rule
3 or regulation lawfully made by the [administrator] department
4 under and within the authority of this act, or that

5 5. The licensee refuses or has refused to permit the
6 [administrator or his designated representative] department to
7 make examinations authorized by this act, or that

8 6. The licensee in the case of a finance company and
9 collector-repossessor has failed to maintain in effect the bond
10 required under the provisions of this act, or that

11 7. The licensee has failed to maintain satisfactory records
12 required by this act or prescribed by the [administrator]
13 department, or that

14 8. The licensee has falsified any records required by this
15 act to be maintained of the business contemplated by this act,
16 or that

17 9. The licensee has failed to file any report with the
18 [administrator] department within the time stipulated in this
19 act, or that

20 10. The licensee has failed to pay the fine required by this
21 act for failure to file reports to the [administrator]
22 department within the time stipulated, or that

23 11. The licensee has defrauded any retail buyer to the
24 buyer's damage or wilfully failed to perform any written
25 agreement with any retail buyer, or that

26 12. Any fact or condition exists or is discovered which, if
27 it had existed or had been discovered at the time of filing of
28 the application for such license, would have warranted the
29 [administrator] department in refusing to issue such license.

30 13. The licensee has:

(i) failed to collect any tax or fee due the Commonwealth upon any sale of a vehicle;

(ii) collected any such tax or fee and failed to issue a true copy of the tax report to the purchaser, as required by law;

(iii) issued a false or fraudulent tax report or copy thereof; or

(iv) failed to pay any tax or fee over to the Commonwealth at the time and in the manner required by law.

14. The licensee has engaged in unfair, deceptive, fraudulent or illegal practices or conduct in connection with any business regulated under this act, including making excessive mark-ups to charges for items described in section 14B1, 5, 10 or 18E or mark-ups of costs in violation of section 18D. The department shall adopt as a statement of policy guidelines determining mark-ups that the department finds, after reasonably considering relevant market data, not to be excessive and shall update and revise the statement of policy to reflect changing business conditions. Mark-ups consistent with the guidelines shall not be deemed excessive, and the question of whether mark ups in excess of the guidelines are excessive shall be determined based on a preponderance of the evidence.

EXCESSIVE. MARK-UPS IN EXCESS OF THE GUIDELINES AND, UNTIL SUCH TIME AS THE DEPARTMENT ADOPTS ITS GUIDELINES, MARK-UPS IN EXCESS OF 100% OF THE COST TO THE DEALER SHALL BE DEEMED EXCESSIVE. SUCH EXCESSIVE MARK-UPS SHALL BE DEEMED AN UNFAIR OR DECEPTIVE ACT OR PRACTICE AS DEFINED BY THE ACT OF DECEMBER 17, 1968 (P.L.1224, NO.387), KNOWN AS THE "UNFAIR TRADE PRACTICES AND CONSUMER PROTECTION LAW," IF THE LICENSEE IS IN VIOLATION OF THIS PARAGRAPH AND THE DEPARTMENT FAILS TO PROCEED AGAINST THE

1 LICENSEE.

2 B. The [administrator] department may revoke or suspend only
3 the particular license with respect to which grounds for
4 revocation may occur or exist, but if [he] the department finds
5 that grounds for revocation are of general application to all
6 places of business or to more than one place of business
7 operated by a licensee, [he] it may revoke all of the licenses
8 issued to such licensee or those licenses to which grounds for
9 revocation apply, as the case may be.

10 C. Whenever a license has been revoked, the [administrator]
11 department shall not issue another license to the licensee
12 pursuant to the provisions of this act until the expiration of
13 at least one (1) year from the effective date of revocation of
14 said license; and not at all, if such licensee or any owner,
15 partner, member, officer, director, employe, agent or spouse of
16 the licensee shall have pleaded guilty, entered a plea of nolo
17 contendere, or has been found guilty by a judge or a jury of a
18 second offense violation of this act.

19 D. Appeals may be taken from the action of the
20 [administrator] department in suspending and revoking licenses
21 or imposing civil penalties under subsection D of section 37 in
22 accordance with the procedure prescribed by [the act of June 4,
23 1945 (Pamphlet Laws 1388), known as "The Administrative Agency
24 Law."] 2 Pa.C.S. Chs. 5 Subch. A (relating to practice and
25 procedure of Commonwealth agencies) and 7 Subch. A (relating to
26 judicial review of Commonwealth agency action).

27 Section 7. Section 11 of the act, repealed in part April 28,
28 1978 (P.L.202, No.53), is amended to read:

29 Section 11. Authority of [Administrator] Department.--

30 A. The [administrator and any person designated by him for

1 that purpose] department is empowered to investigate, at any
2 time, the business and affairs and examine the books, accounts,
3 papers, records, documents and files of every licensee and of
4 every person who shall be engaged in business contemplated by
5 this act, whether such person shall act, or claim to act, as
6 principal, agent or broker or under or without the authority of
7 this act. For this purpose the [administrator] department shall
8 have free access to the offices and places of business, books,
9 accounts, papers, records, documents and files of all such
10 persons. A person who is not licensed under this act shall be
11 presumed to be engaged in business contemplated by this act, if
12 he, as principal, agent or broker advertises or solicits
13 business for which a license is required by the provisions of
14 this act, and the [administrator and any person designated by
15 him for that purpose] department is, in such cases, hereby
16 empowered to examine the books, accounts, papers, records,
17 documents, files, safes and vaults of such persons for the
18 purpose of discovering violations of this act.

19 B. The [administrator] department is empowered to require
20 the attendance and testimony of witnesses and the production of
21 any books, accounts, papers, records, documents and files
22 relating to such business which the [administrator] department
23 has authority by this act to investigate, and for this purpose
24 the [administrator] secretary or [his] a duly authorized
25 representative may sign subpoenas, administer oaths and
26 affirmations, examine witnesses and receive evidence. In case of
27 disobedience of any subpoena or the contumacy of any witness
28 appearing before the [administrator] department, the
29 [administrator] secretary may invoke the aid of the courts, and
30 such court shall thereupon issue an order requiring the person

1 subpoenaed to obey the subpoena, or to give evidence, or to
2 produce books, accounts, papers, records, documents and files
3 relative to the matter in question. Any failure to obey such
4 order of the court may be punished by such court as a contempt
5 thereof.

6 C. The expenses incurred by the department in connection
7 with any examination or investigation, whether regular or
8 special, including a proportionate part of the salary of any
9 examiner or other employe of the department engaged in the
10 examination or investigation and all counsel assigned by the
11 department to an examination or investigation, may be assessed
12 by the department upon the particular institution examined or
13 investigated.

14 Section 8. Section 12 of the act is amended to read:

15 Section 12. Records Required.--

16 A. Every licensee shall maintain, at the place of business
17 designated in the license certificate, such books, accounts and
18 records of the business conducted under the license issued for
19 such place of business as will enable the [administrator]
20 department to determine whether the business of the licensee
21 contemplated by this act is being operated in accordance with
22 the provisions of this act.

23 B. A licensee, operating two or more licensed places of
24 business in this Commonwealth, may maintain the general control
25 records of all such offices at any one of such offices, or at
26 any other office maintained by such licensee, upon the filing of
27 a written request with the [administrator] department
28 designating therein the office at which such control records are
29 maintained and upon approval of such request by the
30 [administrator] department.

1 C. All books, accounts and records of licensees shall be
2 maintained in the English language.

3 D. All books, accounts and records of licensees, including
4 any cards used in a card system, shall be preserved and
5 available for examination by the [administrator] department for
6 at least two (2) years after making the final entry therein.

7 E. The [administrator] department is hereby authorized and
8 empowered to prescribe the minimum information to be shown in
9 the books, accounts and records of licensees so that such
10 records will enable the [administrator] department to determine
11 compliance with the provisions of this act.

12 Section 9. Section 13 of the act, amended May 2, 1949
13 (P.L.812, No.211) and June 11, 1992 (P.L.307, No.55), is amended
14 to read:

15 Section 13. Requirements as to Contracts and Separate
16 Disclosure.--

17 A. Every installment sale contract shall be in writing and
18 shall contain all of the agreements between the buyer and the
19 seller relating to the installment sale of the motor vehicle
20 sold and shall be signed by both the buyer and the seller.

21 B. Every installment sale contract shall be completed as to
22 all essential provisions prior to the signing of such contract
23 by the buyer.

24 C. An exact copy of the installment sale contract shall be
25 furnished by the seller to the buyer at the time the buyer signs
26 such contract. Such buyer's copy of the contract shall contain
27 the signature of the seller identical with such signature on the
28 original contract. Such copy shall be furnished to the buyer
29 without charge.

30 D. Every installment sale contract shall contain the

1 following notice, printed prominently and in the form indicated
2 in twelve (12) point type, or larger, directly above the space
3 provided in the contract form for the signature of the buyer:

4 "Notice to Buyer.

5 Do not sign this contract in blank.

6 You are entitled to an exact copy of the contract you sign.

7 Keep it to protect your legal rights."

8 Provided, That in lieu of the word "Buyer" there may be
9 substituted either of the words "Lessee" or "Mortgagor" and in
10 lieu of the word "contract" there may be substituted either of
11 the words "lease" or "mortgage."

12 E. The seller shall obtain from the buyer a written
13 acknowledgment of the delivery of the copy of the contract to
14 the buyer. Such acknowledgment shall be printed in twelve (12)
15 point type, or larger, and, if attached to the contract, it
16 shall be printed below the buyer's signature to the contract and
17 shall be independently signed.

18 F. Every installment sale contract shall provide for payment
19 of the time balance in substantially equal periods and in
20 substantially equal amounts except:

21 1. When the buyer expects his income to vary because of
22 seasonal employment, seasonal sales, use of accelerated
23 depreciation for tax purposes or other known cause, the contract
24 may provide for payment of the time balance in amounts which
25 vary with such expected varying income.

26 2. An installment sale contract for the sale of a heavy
27 commercial motor vehicle shall be exempt from the requirement
28 that payments must be for substantially equal periods and in
29 substantially equal amounts.

30 3. An installment sale of a new motor vehicle to a bona fide

1 salesman or of motor vehicles to be used by him principally as a
2 demonstrator shall be exempt from the equal payment schedule
3 requirement of this section.

4 4. Where the installment sale contract provides for fixed
5 residual value financing. As used in this clause, "fixed
6 residual value financing" shall mean the manner of purchase
7 whereby a buyer who is listed as the owner on the title of the
8 vehicle agrees to select and perform, at the conclusion of a
9 predetermined schedule of installment payments made in
10 substantially equal periods and in substantially equal amounts,
11 one of the following options:

12 (a) satisfy the balance of the contractual amount owing;

13 (b) refinance any balance owing on the terms previously
14 agreed upon at the time of executing the installment sale
15 contract; or

16 (c) surrender the motor vehicle at such time and manner
17 agreed upon at the time of executing the installment sale
18 contract.

19 G. Prior to the execution of an installment sale contract by
20 any party, the seller shall provide to the applicant buyer both
21 an oral disclosure and a written disclosure in plain language
22 separate from the installment sale contract to be signed by the
23 applicant buyer prior to the signing of the installment sale
24 contract. The executed, written disclosure shall be copied
25 exactly and furnished by the seller to the applicant buyer at no
26 cost at the time the buyer receives a copy of the installment
27 sale contract. The separate disclosure required under this
28 subsection shall:

29 1. Advise the applicant that the buyer's purchase of
30 incidental items related to acquiring the motor vehicle,

1 including items such as service contracts, warranties, debt
2 cancellation agreements, and insurance products not required by
3 section 17, but excluding options and accessories physically
4 attached to the vehicle, is voluntary and is not required as a
5 condition of the applicant buyer's receiving the installment
6 sale contract loan.

7 2. Be complete without any blank spaces.

8 Section 10. Subsections B, C and E of section 14 of the act,
9 amended April 4, 1990 (P.L.110, No.25), are amended and the
10 section is amended by adding a subsection to read:

11 Section 14. Contents of Contract and Disclosure
12 Requirements.

13 * * *

14 B. Every installment sale contract shall set forth clearly
15 and conspicuously in writing the following separate items as
16 such and [in the following order] other information as
17 applicable:

18 1. Cash price of the motor vehicle. This amount may include
19 any taxes, charges for delivery, [cost of] charges for
20 servicing, repairing or improving the motor vehicle, [costs of]
21 charges for service contracts and warranties which alternatively
22 shall be disclosed pursuant to clause 5, charges for accessories
23 and installation or other [costs] charges normally included in
24 the delivered cash price of such motor vehicle. The cash price
25 of the motor vehicle otherwise may not include charges required
26 to be disclosed pursuant to clause 5. If the cash price contains
27 charges for service contracts or warranties, then, adjacent to
28 the "cash price" listed on the contract in type print size not
29 smaller than the type size used for all item categories, shall
30 be included the boldface and underlined words or substantially

1 similar words "including optional service contracts and/or
2 warranties in the amount of"; and then the separately itemized
3 charges for the service contract and warranty shall be
4 specifically stated in the contract and warranty items.

5 2. Down payment made by the buyer at the time of or prior to
6 execution of the contract, indicating whether made in cash, or
7 represented by the agreed value of a "trade-in" motor vehicle,
8 or other goods, or both. The amount of cash and/or the value of
9 any "trade-in" shall be shown separately. A description of the
10 "trade-in," if any, sufficient for identification shall be
11 shown.

12 3. Unpaid cash balance which shall be the difference between
13 the cash price (Item 1) and the down payment (Item 2) above.

14 4. [Insurance premium costs] Charges for insurance the
15 payment of which the seller agrees to extend credit to the
16 buyer. The term of such insurance, a concise description of the
17 coverage and the amount of the premium shall be set forth. If
18 the precise [cost of the] charges for insurance [is] are not
19 available at the time the contract is signed, an estimated
20 amount, ascertained from a chart prepared by the licensee and
21 approved by the [administrator] department, may be set forth in
22 the contract. When the [cost of the] charges for insurance [is]
23 are so estimated, the contract shall so state and it shall
24 contain notice to the buyer that the difference between the
25 estimated [cost] charges and the actual [cost of] charges for
26 the insurance, including finance charges on such amount, will be
27 adjusted at the time of the final payment on the contract, and a
28 statement of the amount of the adjustment shall be furnished to
29 the buyer simultaneously with the delivery of the insurance
30 policy or certificate.

1 5. Other [costs] charges, necessary or incidental to the
2 sale or financing of a motor vehicle, which the seller contracts
3 to retain, receive or pay on behalf of the buyer and [for the
4 amount of] any other charges necessary or incidental to the sale
5 or financing of the motor vehicle under the contract for which
6 the seller agrees to extend credit to the buyer as authorized by
7 this act[. Such costs shall be itemized in the contract as to
8 nature and amount.], including charges for debt cancellation
9 agreements.

10 6. Principal amount financed which shall be the total of the
11 unpaid cash price balance (Item 3) plus [the] charges for
12 insurance [premium costs] (Item 4) plus other [costs] charges
13 (Item 5) for which the seller agrees to extend credit to the
14 buyer.

15 7. Finance charge which is the consideration in excess of
16 the cash price (Item 1), excluding [insurance premium] charges
17 for insurance (Item 4), and other [costs] charges (Item 5),
18 which the buyer agrees to pay to the seller for the privilege of
19 purchasing the motor vehicle under the installment sale
20 contract.

21 8. Time balance which shall be the total of the principal
22 amount financed (Item 6), plus the finance charge (Item 7), and
23 which shall represent the total obligation of the buyer which he
24 agrees to pay in two or more scheduled payments.

25 9. Payment schedule which shall state the number of
26 payments, the amount of the payments and the time of the
27 payments required to liquidate the time balance.

28 10. Notwithstanding any provisions of this act or any other
29 law to the contrary, the finance charge percentage rate included
30 in an installment sale contract for the sale of a heavy

1 commercial motor vehicle may vary during the term thereof
2 pursuant to a formula or index set forth therein that is made
3 readily available to and verifiable by the buyer and is beyond
4 the control of the holder of the contract. For the purpose of
5 disclosing the amount of finance charge (Item 7) and time
6 balance (Item 8) and setting forth a payment schedule (Item 9),
7 such amounts may be calculated using the finance charge
8 percentage rate applicable to the transaction as of the date of
9 execution of the contract, notwithstanding the fact that such
10 finance charge percentage rate may increase or decrease over the
11 term of the contract according to a formula or index set forth
12 in the contract.

13 10.1. Charges for warranties, charges for service contracts,
14 charges for insurance for each policy of insurance required to
15 be disclosed pursuant to clause 4, charges required to be
16 disclosed pursuant to clause 5 and costs and charges authorized
17 in section 18 shall be separately itemized in the contract as to
18 nature and amounts of the cost or charge to the buyer. If the
19 seller retains a portion of the charge of a good or service
20 which is provided by others, the seller shall disclose that the
21 seller may retain a portion of the charges.

22 C. Every installment sale contract shall [state clearly any
23 collateral security taken for the buyer's obligation under the
24 contract] provide a description that reasonably identifies any
25 collateral security in which a security interest is provided to
26 secure the buyer's obligation pursuant to 13 Pa.C.S. § 9108
27 (relating to sufficiency of description), including the motor
28 vehicle and any other collateral.

29 * * *

30 E. Every installment sale contract shall contain specific

provisions as to the holder's right to accelerate the maturity of the contract upon default or other breach of contract and as to the buyer's liability respecting nonpayment, the dollar or percentage amount of any default charges which may be imposed due to a late payment, other than a deferral or extension charge, repossession and sale of the motor vehicle, in case of default or other breach of contract, and respecting the collateral security, if any.

* * *

G. Charges enumerated in this section and costs and charges authorized by section 18 shall be separately itemized in the contract.

Section 11. Section 16 of the act, amended November 19, 1959 (P.L.1529, No.539), is amended to read:

Section 16. Transfer of Installment Sale Contract.--

A. The seller of a motor vehicle under an installment sale contract, executed in the Commonwealth of Pennsylvania, shall not sell, transfer or assign the obligation represented by such contract to any person in Pennsylvania, or elsewhere, who is not licensed as a sales finance company pursuant to the provisions of this act.

B. A sales finance company, licensed pursuant to the provisions of this act, shall not sell, transfer or assign the obligation represented by a motor vehicle installment sale contract, executed in the Commonwealth of Pennsylvania, which it has lawfully acquired, to any other person in Pennsylvania, or elsewhere, who is not licensed as a sales finance company pursuant to the provisions of this act.

C. Whenever an installment sale contract is lawfully sold, transferred or assigned to a person who is licensed as a sales

1 finance company, pursuant to the provisions of this act, [such]
2 until the new holder [shall furnish] furnishes to the buyer in
3 such contract a written notice of such sale, transfer or
4 assignment[, excepting when assignment is made only to secure a
5 bona fide commercial loan. Such notice shall set] that sets
6 forth the name and address of the new holder [and shall notify
7 the buyer of the name and address of the person] authorized to
8 receive future payments on such contract[. If such notice has
9 not been given], any payment or tender of payment made to and
10 any service of notice on the last known holder by the buyer
11 shall be binding upon any subsequent holder.

12 D. The provisions of this section shall not apply to an
13 assignment of an aggregation of installment sale contracts,
14 which is executed by a seller or sales finance company only as
15 [collateral security for] a security interest securing payment
16 or performance of a bona fide commercial loan, obtained at
17 lawful rates of interest from a person regularly engaged in the
18 business of lending money on the security of such assigned
19 collateral or amounts due pursuant to a security or debt
20 instrument, and under which, in the absence of default or other
21 bona fide breach of the loan contract, ownership of the assigned
22 contracts remains vested in the assignor and collection of
23 payments on such assigned contracts is made by the assignor; And
24 provided, such assignment and loan contracts are not for the
25 purpose of evading or circumventing the provisions of this act.

26 E. Whenever an installment sale contract, which has been
27 lawfully acquired by a sales finance company, is in default, the
28 holder may resell, retransfer or reassign such contract to the
29 installment seller from whom such contract was originally
30 acquired. [Such] Until the new holder [shall furnish] furnishes

1 to the buyer in such contract a written notice of such resale,
2 retransfer or reassignment[. Such notice shall set] which sets
3 forth the name and address of the new holder[, shall notify the
4 buyer of the name and address of the person] authorized to
5 receive future payments on such contract, and [shall set forth]
6 the unpaid time balance and the accrued default charges due
7 under the contract[,] if any, any payment or tender of payment
8 made to and any service of notice on the last known holder by
9 the buyer shall be binding upon any subsequent holder.

10 Section 12. Sections 17 and 18 of the act are amended to
11 read:

12 Section 17. Insurance.--

13 A. The buyer of a motor vehicle under an installment sale
14 contract may be required to provide insurance on such motor
15 vehicle at the buyer's expense for the protection of the seller
16 or subsequent holder. Such insurance shall be limited to
17 insurance against substantial risk of damage, destruction or
18 theft of such motor vehicle: Provided, however, The foregoing
19 shall not interfere with the liberty of contract of the buyer
20 and seller to contract for other or additional insurance as
21 security for or by reason of the obligation of the buyer, and
22 inclusion of [the cost of] charges for such insurance [premium]
23 in the principal amount advanced under the installment sale
24 contract. Such insurance shall be written for the dual
25 protection of the buyer and of the seller, or subsequent holder,
26 to the extent of his interest in the motor vehicle. Such
27 insurance shall be for an amount, and period of time, and upon
28 terms and conditions, which are reasonable and appropriate
29 considering the type and condition of the motor vehicle, the
30 amount of the time balance and the schedule of payments in the

1 installment sale contract.

2 B. The buyer of a motor vehicle under an installment sale
3 contract shall have the privilege of purchasing such insurance
4 from an agent or broker of his own selection and selecting an
5 insurance company acceptable to the seller: Provided, however,
6 The inclusion of [the cost of the] charges for insurance
7 [premium] in the installment sale contract, when the buyer
8 selects the company agent or broker, shall be optional with the
9 seller.

10 C. Whenever the seller contracts to purchase, at the buyer's
11 expense, such insurance on a motor vehicle sold under an
12 installment sale contract, such insurance shall be purchased
13 through an agent and/or broker, authorized to conduct business
14 in Pennsylvania, and such insurance shall be written by an
15 insurance company qualified to do business in Pennsylvania. The
16 status of the buyer and seller or holder, as set forth in such
17 insurance contract, shall conform to the status of these parties
18 in the installment sale contract. The [cost of the premium on
19 such] charges for insurance to the buyer shall not be in excess
20 of the [amount of the premium] charges for insurance which
21 others are required to pay to such insurance company for similar
22 coverage, and in no event in excess of [rates established in the
23 then current published applicable manual of a recognized
24 standard insurance rating bureau, or the rates fixed] any
25 limitations on premiums, commissions and other charges
26 established by authority of the Commonwealth of Pennsylvania.

27 D. Whenever the seller contracts to purchase, at the buyer's
28 expense, such insurance on a motor vehicle sold under an
29 installment sale contract, a copy of the policy or a certificate
30 of insurance shall be delivered to the buyer within thirty (30)

1 days of the date of the buyer's signing of the installment sale
2 contract.

3 E. The insurance policy which is furnished to the buyer when
4 the insurance is placed by the seller, or subsequent holder, at
5 the buyer's expense shall set forth complete information as to
6 the effective dates, amounts of premiums and coverage, and shall
7 contain all the terms of the insurance contract. When a
8 certificate of insurance issued under a master policy is
9 furnished to the buyer in lieu of an individual policy, such
10 certificate shall set forth all information as to effective
11 dates, amounts of premiums and coverage, and shall contain all
12 the terms of the insurance contract embodied in the master
13 policy to the same extent as would appear if an individual
14 policy were issued, and shall give due notice that it is not an
15 insurance policy.

16 F. When the seller or subsequent holder has placed, at the
17 expense of the buyer, insurance on a motor vehicle sold under an
18 installment sale contract and the buyer prepays the time balance
19 under the contract prior to the expiration date of the
20 insurance, such insurance shall remain in force unless the buyer
21 requests cancellation thereof. The seller or holder shall not
22 cancel the insurance under such circumstances without the
23 buyer's consent, nor shall the seller or holder coerce the buyer
24 to cancel the insurance. Unexpired insurance premiums received
25 by the seller or holder, resulting from cancellation of
26 insurance which was originally placed at the buyer's expense,
27 shall be paid to the buyer or credited to any matured unpaid
28 installments under the contract.

29 G. When the seller contracts to purchase insurance at the
30 buyer's expense and such insurance is cancelled by the insurance

1 company prior to expiration, the seller or subsequent holder
2 shall place comparable insurance with another insurance company
3 and furnish the buyer with a copy of the insurance policy,
4 subject to the same requirements of this act applicable to the
5 original policy. In the event the holder is unable to obtain
6 such insurance in another insurance company, he shall
7 immediately notify the buyer, who may then obtain such insurance
8 from an insurance company, agent or broker of his own selection
9 and the holder shall be liable for any additional [costs]
10 charges for insurance incurred by the buyer in rewriting such
11 insurance for the unexpired period for which the original
12 insurance was written. The holder under these circumstances
13 shall also be liable to the buyer for any loss suffered by the
14 buyer through negligence on the part of the holder in promptly
15 advising the buyer of his inability to obtain replacement
16 insurance.

17 Section 18. Other Costs Included in Amount Financed.--

18 A. In addition to [the cost of] charges for insurance
19 [premiums] authorized in the preceding section of this act, the
20 seller of a motor vehicle under an installment sale contract may
21 require the buyer to pay certain other costs incurred in the
22 sale of a motor vehicle under such contract as follows:

23 1. Fees, payable to the Commonwealth of Pennsylvania, for
24 filing a lien or encumbrance on the certificate of title to a
25 motor vehicle sold under an installment sale contract or
26 collateral security thereto.

27 2. Fees, payable to a public official, for filing or
28 recording and satisfying or releasing the installment sale
29 contract or instruments securing the buyer's obligation.

30 3. Fees, for notarization required in connection with the

1 filing and recording or satisfying and releasing a mortgage,
2 judgment lien or encumbrance.

3 B. The seller of a motor vehicle under an installment sale
4 contract may also contract with the buyer to pay on behalf of
5 the buyer, such other costs incidental to the sale of a motor
6 vehicle and contracted for voluntarily by the buyer as follows:

7 1. Fees, payable to the Commonwealth of Pennsylvania, for
8 registration of the motor vehicle and issuance or transfer of
9 registration plates.

10 2. Fees, payable to the Commonwealth of Pennsylvania, for
11 driver's license for the buyer.

12 3. Costs of messenger service and other costs associated
13 with the submission of documents to the Commonwealth of
14 Pennsylvania or other governmental entity which are contracted
15 for voluntarily by the buyer.

16 C. [Such other costs] The costs described in subsections A
17 and B may be [charged,] contracted for, collected or received by
18 the seller from the buyer independently of the installment sale
19 contract, or the seller may extend credit to the buyer for the
20 amount of such costs and include such amount in the principal
21 amount financed under the installment sale contract.

22 D. [Such other costs] Unless otherwise permitted by the laws
23 of this Commonwealth other than this act, the costs described in
24 subsections A and B which are paid or payable by the buyer shall
25 not exceed the amount which the seller expends or intends to
26 expend therefor. Any such costs which the seller has collected
27 from the buyer, or which have been included in the buyer's
28 obligation under the installment sale contract which are not
29 disbursed by the seller, as contemplated, shall be immediately
30 refunded or credited to the buyer.

1 E. The seller of a motor vehicle under an installment sale
2 contract may also contract with the buyer, to pay on behalf of
3 the buyer, charges for any goods or services necessary or
4 incidental to the sale of a motor vehicle and contracted for by
5 the buyer which are not otherwise restricted pursuant to this
6 act or any other statute. This subsection does not authorize the
7 mark-up of costs described in subsection A or B.

8 Section 13. Section 19 of the act, amended June 18, 1982
9 (P.L.553, No.160), is amended to read:

10 Section 19. Finance Charges.--

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

18 Class I. New motor vehicles, except those having a cash
19 price of ten thousand dollars (\$10,000) or more and used
20 primarily for commercial purposes and except mobile homes and
21 except new trucks or truck tractors having a manufacturer's
22 gross vehicular weight of fifteen thousand (15,000) pounds or
23 more and new semitrailers or trailers designed for use in
24 combination with truck tractors, eighteen percent (18%) simple
25 interest per year on the unpaid balance.

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

30 Class III. Older used motor vehicles of a model designated

1 by the manufacturer by a year more than two (2) years prior to
2 the year in which the sale is made, twenty-one percent (21%)
3 simple interest per year on the unpaid balance.

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

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

17 Class VI. New trucks and truck tractors having a
18 manufacturer's gross vehicular weight of fifteen thousand
19 (15,000) pounds or more and new semitrailers and trailers
20 designed for use in combination with truck tractors, ten percent
21 (10%) per year.

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

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

30 D. Such finance charge may be computed on the basis of a

1 full month for any fractional month period in excess of ten (10)
2 days, and interest may continue to be charged during any period
3 of time for which a default charge is also imposed.

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

8 F. The maximum finance charge prescribed by this act shall
9 not apply to any sale on credit or loan insured or guaranteed in
10 whole or in part by the Federal Housing Administration, the
11 Veterans' Administration or any other department or agency of
12 the United States Government: Provided, That any such sale on
13 credit or loan is subject to a maximum rate of interest
14 established by law or by such department or agency.

15 Section 14. Section 20 of the act is amended to read:

16 Section 20. Refinancing Installment Sale Contract.--

17 A. The holder of an installment sale contract may extend the
18 scheduled due date, or defer the scheduled payment of all or
19 part of any unpaid installment payment or payments, or renew the
20 unpaid time balance of such contract.

21 B. The holder may contract for, receive and collect a
22 refinance charge for such extension, deferment or renewal. Such
23 refinance charge shall not exceed the amount ascertained under
24 either of the following methods of computation at the respective
25 rates indicated by--

26 Option 1. Computing the refinance charge on the amount of
27 the installment payment or payments or part thereof, which is
28 refinanced for the period of time, for which each payment or
29 part thereof is extended or deferred at the following rates on
30 contracts originally in the respective classification of motor

1 vehicles set forth in the preceding section of this act:

2 Class I. One percent (1%) per month.

3 Class II. One and one-half percent (1 1/2%) per month.

4 Class III. Two percent (2%) per month.

5 Such refinance charges may be computed on the basis of a full
6 month for any fractional month period in excess of ten (10)
7 days.

8 Option 2. Computing the refinance charge on the amount
9 obtained by adding to the unpaid time balance of the contract,
10 [the] charges for insurance [cost] and other [costs] charges
11 incidental to refinancing, by adding unpaid default charges,
12 which may be accrued, and by deducting any rebate which may be
13 due to the buyer for prepayment incidental to refinancing, at
14 the rate of the finance charge in the original contract, for the
15 term of the renewal contract, and subject to the provisions of
16 this act governing computation of the original finance charge:
17 Provided, however, That the provisions of this act governing
18 minimum finance charges and minimum prepayment rebate shall not
19 apply in calculating refinance charges on the contract renewed
20 under this method of computation.

21 C. The holder of an installment sale contract shall not
22 include in any contract for refinancing such contract, any cash
23 loan to the buyer, nor any credit extended to the buyer
24 incidental to the purchase of goods or services: Provided,
25 further, That the word loan herein shall not include, nor this
26 act prohibit, a rearrangement of payments under the installment
27 sale contract by a refinance transaction involving a restoration
28 of certain installment payments made under the contract, but the
29 refinance charge on such amount restored may be not more than
30 six percent per annum, simple interest; And provided, further,

1 however, That the holder of such contract may embody in such
2 refinance contract the [cost of] charge for accessories,
3 equipment and parts for the motor vehicle sold under such
4 contract, and the [cost of] charge for repairs and services to
5 such motor vehicle including finance charges thereon.

6 Section 15. Section 21 of the act, amended April 4, 1990
7 (P.L.110, No.25), is amended to read:

8 Section 21. Default Charges.--

9 [A.] A default charge may be collected on any installment
10 payment or payments which are not paid on or before the due date
11 of such payments. A default charge may be collected on any
12 contract subject to this act, regardless of the class of vehicle
13 or the method by which the finance charge is computed. Such
14 default charge shall not exceed the rate of two percent (2%) per
15 month on the amount of the payment or payments in arrears where
16 the contract is for the sale of a motor vehicle which is other
17 than a heavy commercial motor vehicle. Such default charge may
18 be computed on the basis of a full calendar month for any
19 fractional month period in excess of ten (10) days. On any
20 contract for the sale of a heavy commercial motor vehicle, the
21 default charge shall not exceed for any payment not made within
22 ten (10) days of its scheduled due date, four percent (4%) of
23 the amount of the payment or payments in arrears: Provided, That
24 such default charge may be collected only once on each payment
25 in arrears. Such default charges may be collected, when earned,
26 during the term of the contract, or may be accumulated and
27 collected at final maturity, or at the time of final payment
28 under the contract. Such default charge shall not be collected
29 on any payment in default because of any acceleration provision
30 in the contract.

1 Section 16. Subsection F of section 23 of the act is amended
2 to read:

3 Section 23. Repossession.--

4 * * *

5 F. The [administrator] department shall have authority to
6 reduce the amount of or prohibit entirely any item of expense of
7 retaking, storing or repairing of a motor vehicle which appears
8 to him to be fictitious, unnecessary, unreasonable or
9 exorbitant, or such as would not have been incurred by a prudent
10 person under similar circumstances.

11 * * *

12 Section 17. Sections 25, 31, 36 and 37 of the act are
13 amended to read:

14 Section 25. Redemption and Termination of Contract after
15 Repossession.--

16 A. [When] Unless the right of redemption is waived in a
17 nonconsumer transaction under 13 Pa.C.S. § 9624(c) (relating to
18 waiver), if repossession of a motor vehicle which is the subject
19 of an installment sale contract is effected within or outside
20 the Commonwealth of Pennsylvania otherwise than by legal
21 process, the holder shall retain such repossessed motor vehicle
22 [within the county in which it was retaken] for a period of
23 fifteen (15) days after mailing of notice of repossession to the
24 buyer. [If such repossession is made outside of the Commonwealth
25 of Pennsylvania, the motor vehicle, at the option of the holder,
26 may be retained in the vicinity of retaking for such fifteen
27 (15) day period or brought back to the county in Pennsylvania in
28 which it was originally sold to the buyer under such contract
29 and retained in such county for such fifteen (15) day period.]

30 B. During such fifteen (15) day period the buyer may redeem

1 the motor vehicle and terminate the contract by payment or
2 tender of payment to the holder of the following amounts,
3 subject to the conditions hereinafter indicated:

4 1. When default at the time of repossession was less than
5 fifteen (15) days, the amount of the unpaid time balance, plus
6 the amount of any accrued default charges authorized by this
7 act, plus any other amount lawfully due under the contract,
8 excluding costs of retaking, repairing and storage, less rebate
9 of unearned finance charge.

10 2. When default at the time of repossession exceeded fifteen
11 (15) days, the amount of the unpaid time balance, plus the
12 amount of any accrued default charges authorized by this act,
13 plus costs of retaking, repairing, repossessing and storing
14 authorized by this act, plus any other amount lawfully due under
15 the contract, less rebate of unearned finance charge.

16 C. If the buyer redeems the motor vehicle and terminates the
17 contract by payment or tender as provided in subsection B, the
18 holder shall return the motor vehicle and any other collateral
19 in any manner consistent with 13 Pa.C.S. § 9623 (relating to
20 right to redeem collateral). Property will be deemed to be
21 returned in a manner in compliance with this act and 13 Pa.C.S.
22 § 9623 by delivery to:

23 1. the county in this Commonwealth or within a comparable
24 governmental unit outside this Commonwealth where repossession
25 occurred;

26 2. a county in this Commonwealth where the buyer resides; or

27 3. the county in this Commonwealth in which the vehicle was
28 purchased under such contract.

29 Section 31. Prohibited Charges.--

30 A. A licensee under this act shall not charge, contract for,

1 collect, or receive from the buyer, directly or indirectly, any
2 further or other amount for costs, charges, examination,
3 appraisal, service, brokerage, commission, expense, interest,
4 discount, fees, fines, penalties or other thing of value in
5 connection with the retail sale of a motor vehicle under an
6 installment sale contract in excess of [the cost of] charges for
7 insurance [premiums], other [costs] charges necessary or
8 incidental to the sale of the motor vehicle, the finance
9 charges, refinance charges, default charges, recording and
10 satisfaction fees, court costs, attorney's fees and expenses of
11 retaking, repairing and storing a repossessed motor vehicle
12 which are [authorized by the provisions of this act] disclosed
13 as required by subsection B of section 14.

14 B. A licensee under this act shall not collect any charge
15 whatsoever in connection with a contemplated sale of a motor
16 vehicle under an installment sale contract, if such contract is
17 not consummated: Provided, however, That nothing contained
18 herein shall affect the legal status of a deposit paid by a
19 prospective buyer to a seller as a binder on the contemplated
20 purchase of a motor vehicle.

21 C. An installment sale contract, wherein the seller or any
22 subsequent holder has charged, contracted for, collected, or
23 received from the buyer any prohibited [costs or] charges
24 whatsoever shall be unenforcible as to such prohibited [costs
25 or] charges.

26 Section 36. Exemptions.--

27 A. This act shall not affect or impair any business
28 conducted lawfully under license issued pursuant to the act of
29 April eighth, one thousand nine hundred thirty-seven (Pamphlet
30 Laws, two hundred sixty-two), known as the "Consumer Discount

1 Company Act," or supplements or amendments thereto.

2 B. This act shall not apply to an extension of credit for
3 the purchase of a motor vehicle, including the financing of any
4 other costs or charges necessary or incidental to the sale or
5 financing of a motor vehicle, made pursuant to the act of
6 November 30, 1965 (P.L.847, No.356), known as the "Banking Code
7 of 1965."

8 Section 37. Penalties.--

9 A. Any person, partner, association, business corporation,
10 banking institution, nonprofit corporation, common law trust,
11 joint stock company or any other group of individuals, however
12 organized, or any owner, partner, member, officer, director,
13 trustee, employe, agent, broker or representative thereof who or
14 which shall engage in this Commonwealth in business as
15 installment seller, sales finance company or collector-
16 reposessor as defined in this act without having obtained a
17 license, as required under this act, shall be guilty of a
18 misdemeanor, and upon conviction thereof, shall be sentenced to
19 pay a fine of not less than [five hundred dollars (\$500)] two
20 thousand dollars (\$2,000), or more than [five thousand dollars
21 (\$5,000)] ten thousand dollars (\$10,000), or to suffer
22 imprisonment of not [less than six (6) months or,] more than
23 three (3) years, or both, at the discretion of the court.

24 B. Any licensee conducting business under this act as an
25 installment seller, sales finance company or collector-
26 reposessor or any owner, partner, member, officer, director,
27 trustee, employe, agent, broker or representative thereof who
28 shall violate any provision of this act, or shall direct [or
29 consent to] such violation shall be guilty of a misdemeanor, and
30 upon conviction thereof, shall be sentenced to pay a fine of not

1 more than [five hundred dollars (\$500)] two thousand dollars
2 (\$2,000) for the first offense; and for each subsequent offense
3 a like fine and/or suffer imprisonment not to exceed one (1)
4 year in the discretion of the court.

5 C. Any licensed seller or sales finance company as holder of
6 a motor vehicle installment sale contract who hires, authorizes
7 or permits an unlicensed collector-repossessor, as defined in
8 this act, to collect payments on any such contract or to
9 repossess any motor vehicle sold under such contract within this
10 Commonwealth shall be guilty of a violation of this act, and
11 subject to the penalties imposed by the foregoing provisions of
12 this section.

13 D. Any person required to be licensed under this act that
14 violates this act or directs a violation or who engages in any
15 activity for which a license could be suspended or revoked under
16 section 10 shall be subject to a civil penalty levied by the
17 department of not more than two thousand dollars (\$2,000) for
18 each offense.

19 E. A sales finance company licensed pursuant to this act
20 engaged in the purchase, sale, assignment, securitization or
21 servicing of installment sale contracts shall not be held liable
22 for excessive mark-ups by installment sellers to charges
23 described in subsection E of section 18 or for failures to make
24 disclosures in subsection G of section 13.

25 Section 18. The act is amended by adding a section to read:

26 Section 37.1. Regulations and Orders.--The department is
27 authorized to promulgate regulations and to issue orders,
28 statements of policy and written interpretations as necessary or
29 appropriate for the interpretation or enforcement of this act.

30 Section 19. The General Assembly finds and declares as

1 follows:

2 (1) All citizens are entitled to fair dealing with those
3 who sell and finance motor vehicles in this Commonwealth. The
4 act became law in 1947, and its purpose is to protect
5 Pennsylvania's consumers from improper sales and financing
6 practices.

7 (2) Because citizens can now choose to purchase products
8 and services related to the purchase of a motor vehicle which
9 were not available or even contemplated when the act was
10 enacted, and include those items in the amount financed, it
11 is now desirable to amend the act to provide for additional
12 disclosures to consumers who purchase incidental items in
13 conjunction with the purchase of a motor vehicle.

14 (3) It is further desirable to amend the act to provide
15 for the imposition of civil penalties against those sellers
16 and lenders that engage in fraudulent or abusive practices to
17 the detriment of consumers in this Commonwealth.

18 (4) Uncertainty has arisen with regard to the intent of
19 certain provisions of the act as enacted in 1947. In order to
20 provide for continued consumer protection and financing
21 options, this act is intended to clarify the intent of the
22 act to facilitate the financing of vehicles and related
23 products and services.

24 Section 20. Because many of the circumstances and events
25 that led to the initial adoption of the act in 1947 have
26 substantially changed due to substantial improvements in
27 business practices and expanded Federal regulations, a study of
28 proposals to update and modernize the act shall be conducted by
29 the Joint State Government Commission and the recommendations of
30 the commission reported to the General Assembly. In addition to

1 changes to the act, the commission shall also consider the
2 advisability of merging the provisions of the act of October 28,
3 1966 (1st Sp.Sess., P.L.55, No.7), known as the Goods and
4 Services Installment Sales Act, and other consumer finance
5 legislation into a consolidated Consumer Credit Code which
6 avoids duplication of Federal law and regulations and promotes
7 uniformity of law among the states. The study shall be conducted
8 by a task force established by the commission consisting of four
9 members of the Senate, two appointed by the President pro
10 tempore of the Senate and two appointed by the Minority Leader
11 of the Senate and four members of the House of Representatives,
12 two appointed by the Speaker of the House of Representatives and
13 two appointed by the Minority Leader of the House of
14 Representatives. In addition, the commission shall appoint an
15 advisory committee to assist the task force that shall include a
16 representative of the Department of Banking, the Consumer
17 Protection Division of the Office of Attorney General, the
18 Pennsylvania Automotive Association, the Pennsylvania Retailers'
19 Association, the Pennsylvania Bankers Association and other
20 individuals with knowledge and expertise regarding motor vehicle
21 sales finance, installment sales and consumer protection laws
22 and regulations.

23 Section 21. All acts and parts of acts are repealed insofar
24 as they are inconsistent with this act.

25 Section 22. The following apply:

26 (1) This act shall not adversely affect the adequacy of
27 actions taken to comply with this act prior to the effective
28 date of this act, including disclosures provided prior to the
29 effective date of this act.

30 (2) The following provisions are intended to clarify and

1 confirm the meaning of the act and not to change the meaning
2 or interpretation of the act:

3 (i) The amendment or addition of clauses 13, 13.1,
4 13.2, 14 and 16 of section 3 of the act.

5 (ii) The amendment or addition of provisions of the
6 act which utilize the definitions referred to in
7 subparagraph (i).

8 (iii) The amendment of sections 16, 17 and 18 of the
9 act.

10 (iv) The amendment of subsection D of section 19 of
11 the act.

12 (v) The amendment of sections 21, 25 and 31 of the
13 act.

14 (vi) The addition of subsection B of section 36 of
15 the act.

16 (vii) The addition of subsection E of section 37 of
17 the act.

18 (3) To the extent necessary to clarify the meaning or
19 interpretation of the act, the provisions referred to in
20 paragraph (2) shall apply retroactively to causes of action
21 which arose on or before the effective date of this act.

22 (4) As to the amendment of section 14 of the act:

23 (i) The amendment of section 14 of the act
24 constitutes a clarification and confirmation of the
25 meaning of the act in accordance with paragraph (2) to
26 the extent that the amendment:

27 (A) provides that amounts disclosed under
28 clauses 1 and 5 of subsection B of section 14 of the
29 act may include charges and are not limited to actual
30 costs incurred by a seller or finance company, except

1 as otherwise provided by section 18 of the act and
2 clause 13.2 of section 3 of the act; and

3 (B) allows the disclosure of charges for service
4 contracts and warranties at the option of the seller
5 or sales finance company as either:

6 (I) part of the cash price under clause 1 of
7 subsection B of section 14 of the act; or

8 (II) other charges necessary or incidental
9 to the sale of a motor vehicle under clause 5 of
10 subsection B of section 14 of the act.

11 (ii) The amendment of section 14 of the act
12 constitutes a change in the law to the extent that the
13 amendment imposes new disclosure requirements.

14 Section 23. This act shall take effect in 90 days.