House Commerce Committee
Public Hearing on House Bill 506 (Printer's No. 558)
January 25, 2010

Written Testimony by
Stephen F. Rehrer, Counsel, Joint State Government Commission
Yvonne M. Hursh, Staff Attorney, Joint State Government Commission

---

Joint State Government Commission
Task Force and Advisory Committee Process

House Bill 506 of 2009 (Printer's No. 558) is the product of the Joint State Government Commission Task Force and Advisory Committee on the Consumer Credit Code. Act 186 of 2002 authorized a study to be performed by the Joint State Government Commission to update and modernize the Motor Vehicle Sales Finance Act and the Goods and Services Installment Sales Act into a consolidated Consumer Credit Code.

Act 186 provided for the creation of a legislative task force and an advisory committee, which was to include a representative of the Department of Banking, the Consumer Protection Division of the Office of Attorney General, the Pennsylvania Automotive Association, the Pennsylvania Retailers' Association and the Pennsylvania Bankers Association, along with other individuals having knowledge and expertise regarding motor vehicle sales finance, installment sales and consumer protection laws and regulations. The Advisory Committee ultimately included these named individuals and attorneys, a law professor and representatives of financial institutions, business interests and consumer interests.

Representative Chris Ross is the Chair of both the Task Force and the Advisory Committee.

As a result of the Advisory Committee discussions from September 2004 to September 2006, consensus was reached on the proposed framework of a consolidated Consumer Credit Code. The Joint State Government Commission produced two reports containing the legislation, one concerning motor vehicle sales finance and the other concerning goods and services installment sales. Both reports were released November 2006 and also contain source notes and official comments. House Bill 506 is directly based on the proposed legislation in these two reports, as was its predecessor (House Bill 1382 of 2007 (Printer's No. 1729)).

Statutory Framework of the
Proposed Consumer Credit Code

The general framework of the legislation is as follows (numbers in parentheses after the section refer to the page number in House Bill 506):

TITLE 12
COMMERCE and TRADE
PART V
CONSUMER CREDIT

CHAPTER 61
GENERAL PROVISIONS

6101. Scope of part. (2)
6102. Definitions. (2)
6103. Contracts and agreements. (2)
  (a) General rule.
  (b) Clear and conspicuous provisions.
6104. Electronic transactions. (3)
  (a) Effect on other law.
  (b) Department procedures.

CHAPTER 62
MOTOR VEHICLE SALES FINANCE

SUBCHAPTER A
GENERAL PROVISIONS

6201. Scope of chapter. (4)
6202. Definitions. (4)
6203. Authority of department. (12)
  (a) Powers.
  (b) Applicability.
  (c) Administration.
  (d) Expenses.
6204. Records. (14)
  (a) General rule.
  (b) Multiple places of business.
  (c) English language.
  (d) Preservation.
6205. Appeals. (14)
6206. Deposit of fees and fines. (15)

6207. Distribution of information. (15)
(a) Department.
(b) Licensee.
6208. Venue. (15)
6209. Applicability. (15)
(a) Consumer discount companies.
(b) Other extensions of credit.
6210. Mark-ups. (16)
(a) General rule.
(b) Excessive mark-up.

SUBCHAPTER B
LICENSES

6211. General license rules. (16)
(a) License required.
(b) Term.
(c) Transfer or assignment.
6212. Initial license application. (17)
(a) General rule.
(b) Contents.
(c) Process; notice.
6213. Bond. (18)
(a) Bond required.
(b) Form.
(c) Amount.
(d) Execution.
(e) Purpose.
(f) Condition.
(g) Action on bond.
6214. License fees. (19)
(a) Amount.
(b) Abatement.
6215. License certificate. (20)
(a) Issuance.
(b) Public inspection.
(c) Amendment.
6216. License renewal. (21)
6217. Refusal to issue license or license renewal. (21)
(a) Discretionary refusal.
(b) Mandatory refusal.
(c) License fee.
6218. Revocation or suspension of license. (23)
(a) Grounds.
(b) Notice.

6219. Multiple places of business. (25)
(a) License application.
(b) Bond.
(c) License fee.
(d) Requirements.
(e) License suspension and revocation.

SUBCHAPTER C
INSTALLMENT SALE CONTRACTS

6221. Requirements. (27)
(a) General rule.
(b) Copies.
(c) Acknowledgment.
(d) Equal periods and amounts.
(e) Disclosures.
(f) Definition.
6222. Contents. (30)
6223. Notice. (33)
(a) Requirement.
(b) Form.
6224. Itemization. (34)
6225. Disclosure. (34)
6226. Heavy commercial motor vehicle. (34)
(a) Variable finance charge percentage rate.
(b) Determinations.
6227. Manufactured homes. (35)
(a) Optional contract provisions.
(b) Sale.
6228. Prohibited provisions. (35)
6229. Transfer. (37)
(a) Installment seller.
(b) Sales finance company.
(c) Notice; effect on subsequent holder.
(d) Default; notice; effect on subsequent holder.
(e) Applicability.
6230. Statement of account to buyer. (39)
(a) Information to be included.
(b) Copies.
6231. Payment receipts. (40)
(a) When necessary.
(b) Contents.
(c) Self-addressed stamped envelope.
6232. Release of liens. (41)
(a) Duty of holder.
(b) Delivery of certificate of title.

6233. Prohibited charges. (42)
(a) General rule.
(b) Exception.
(c) Manufactured homes.
(d) Charges if contract not consummated.
(e) Unenforceable provision.
6234. Waiver of statutory protection prohibited. (43)
(a) General rule.
(b) Choice of law.
6235. Effect of license expiration, surrender and revocation on contracts. (43)
(a) Effect.
(b) Charges by holder prohibited.
(c) Sale, transfer and assignment of contracts.
(d) Prohibitions regarding contracts.
6236. Enforcement. (44)
(a) When obligation unenforceable.
(b) Cancellation of contract; release of liens.
(c) Applicability.

SUBCHAPTER D
COSTS AND CHARGES

6241. Insurance. (45)
(a) General rule.
(b) Purchase by buyer.
(c) Purchase by installment seller generally.
(d) Early termination of policy.
6242. Other costs included in amount financed. (48)
(a) Costs payable by buyer.
(b) Costs for which buyer voluntarily contracts.
(c) Collection and credit for fees and costs.
(d) Amount of fees and costs.
(e) Costs not disbursed.
(f) Incidental charges.
6243. Finance charges. (51)
(a) General rule.
(b) Method of computation.
(c) Manufactured homes.
(d) New motor vehicles.
(e) Used motor vehicles.
(f) Federally-insured loans.

6244. Refinance charges. (53)
(a) General rule.
(b) Rates and computation.
(c) Fractional month.
(d) Other provisions not applicable to computation.
(e) Prohibited contents.
(f) Permissible contents.
(g) Loan.
6245. Late charges. (56)
(a) General rule.
(b) Rate and computation.
(c) Collection.
6246. Refund for prepayment of contract. (57)
(a) Right to prepay unpaid time balance.
(b) Rebate generally.
(c) Rebate amount.

SUBCHAPTER E
REPOSSESSION

6251. Repossession authorized. (58)
(a) When repossession may occur.
(b) Legal process.
(c) Limitation.
6252. Who may repossess. (59)
(a) With legal process.
(b) Without legal process.
6253. Legal proceedings. (59)
(a) When to commence action.
(b) Rights and duties of buyer.
6254. Notice of repossession. (60)
(a) General rule.
(b) Delivery.
(c) Contents.
6255. Personal property in repossessed motor vehicle. (61)
6256. Buyer's liability for costs. (61)
6257. Notice to police. (61)
6258. Reinstatement of contract after repossession. (61)
(a) When reinstatement may occur.
(b) Refinancing.
6259. Redemption and termination of contract after repossession. (62)
(a) Retaining motor vehicle.
(b) Redemption.
(c) Return of motor vehicle and collateral.

6260. Sale of motor vehicle after repossession. (64)
(a) Forfeiture.
(b) Deficiency.
(c) Motor vehicle title.
6261. Deficiency judgment. (65)
(a) General rule.
(b) Reasonable value.
(c) Reasonable costs.
(d) Deficiency notice.
(e) Nonapplicability.
6262. Procedures for manufactured homes. (66)
(a) Notice.
(b) Cure of default.
(c) Prepayment.
(d) Attorney fees.
(e) Waiver prohibited.

SUBCHAPTER F
PENALTIES AND LIABILITY

6271. Operating without license. (69)
(a) Prohibition; penalty.
(b) Applicability.
6272. Violation of chapter provisions. (70)
6273. Use of unlicensed collector-repossessor. (70)
6274. Civil penalty by department. (71)
6275. Liability of sales finance company. (71)
(a) Exemption from liability.
(b) Federal status preserved.

CHAPTER 63
GOODS AND SERVICES INSTALLMENT SALES

SUBCHAPTER A
GENERAL PROVISIONS

6301. Scope of chapter. (72)
6302. Definitions. (72)
6303. Waiver. (78)
6304. Applicability. (78)
(a) Agreements.
(b) Offer to sell.
(c) Offer to buy.
(d) Subsequent goods and services.
(e) Exclusivity.

6305. Prohibited activities and provisions. (79)
(a) Activities.
(b) Provisions.
6306. Assignment. (81)
6307. Venue. (81)
6308. Attorney fees and costs. (82)
(a) Award.
(b) Agreement.
(c) Definition.
6309. Repossession; acceleration; right to cure. (82)
(a) Rights of holder.
(b) Prohibited actions.
(c) Notice.
(d) Rights of buyer; curing default.
6310. Lien. (84)
6311. Validity. (84)
6312. Discharge of obligation. (84)
6313. Prepayment of obligation. (84)
(a) Right to prepay.
(b) Refund credit.
6314. Acknowledgment of payment in full. (85)

SUBCHAPTER B
CLOSED-END CREDIT AGREEMENTS

6321. General rules. (86)
(a) Entire agreement.
(b) Signature.
(c) Installments.
(d) Incorporation by reference.
6322. Contents. (86)
6323. Copy of agreement. (89)
(a) Delivery of copy.
(b) Obligation of buyer.
(c) Acknowledgment.
6324. Agreement resulting from telephone or mail communications. (89)
(a) General rule.
(b) Applicability.
(c) Seller's completion of agreement.
(d) Copy of agreement or statement.
6325. Purchase money loan; notice. (90)
(a) General rule.
(b) Notice.
(c) Definitions.

6326. Statement to buyer. (91)
(a) Request; contents.
(b) Copies.
(c) Applicability.
6327. Refinancing. (92)
(a) General rule.
(b) Charges.
(c) Contents of agreement.
(d) Consolidation of contracts.
6328. New payment schedule. (93)
(a) Right to new payment schedule.
(b) Payments.
6329. Add-on sales. (93)
(a) Add-on provisions.
(b) Allocation.
(c) New agreement.

SUBCHAPTER C
OPEN-END CREDIT AGREEMENTS

6331. Establishment. (95)
(a) Seller.
(b) Financing agency.
6332. Requirements. (96)
(a) Signature.
(b) Separate agreement unnecessary.
(c) Heading.
(d) Entire agreement.
6333. Applicability and effect of subchapter. (96)
(a) Security interest.
(b) Allocation.
(c) Notes; third party rights.

SUBCHAPTER D
COSTS AND CHARGES

6341. Applicability. (97)
6342. Insurance. (97)
(a) Compliance with law.
(b) Separate charge; agreement.
6343. Late fees. (98)
(a) Closed-end credit agreement.
(b) Open-end credit agreement.
6344. Costs of collection. (98)

6345. Finance charges. (99)
(a) General rule.
(b) Closed-end credit agreement.
(c) Open-end credit agreement.
6346. Costs from non-affiliated entity. (100)
6347. Extension and deferment. (100)
(a) General rule.
(b) Charges.
6348. Interest rate after maturity. (101)

SUBCHAPTER E
ENFORCEMENT AND PENALTIES

6351. Willful and intentional violations. (101)
6352. Noncompliance; costs and charges. (102)
(a) Bar to recovery.
(b) Remedy of buyer.
6353. Willful violations regarding finance charges. (103)
(a) Penalty.
(b) Bar to recovery.
6354. Corrections. (103)
(a) General rule.
(b) Concurrence by buyer.
(c) No liability.
(d) Delivery.
(e) Credit.
6355. Unfair trade practice. (104)

Motor Vehicle Sales Finance:
Current Law versus the Proposed Consumer Credit Code

Proposed Chapter 62 in the bill (pages 3-71) simplifies, modernizes and reorganizes the statutory language regarding motor vehicle sales finance, making it more consistent with industry practice and clarifying terminology and procedures. The legislation repeals the act of June 28, 1947 (P.L.1110, No.476), known as the Motor Vehicle Sales Finance Act.

Chapter 62 differs from the current law in several aspects.

(1) Unlike the current law, § 6202 defines the terms "recreational vehicle," "service contract," "unpaid purchase price balance" and "warranty."

(2) Chapter 62 does not define or reference "mobile homes"; instead, it replaces the term with "manufactured home," consistent with the terminology used in the manufactured housing industry.

(3) The definition of "motor vehicle" in Chapter 62 explicitly includes a manufactured home and a recreational vehicle.

(4) The official comment to § 6202 clarifies that for the purpose of calculating interest rates, the definition of "finance charge" under § 6202 applies; however, the definition of "finance charge" under Regulation Z of the Federal Truth in Lending Act is to be used with respect to disclosure requirements under Chapter 62.

(5) Chapter 62 also replaces the term "default charge" with "late charge" throughout the proposed statute.

In terms of charges regarding motor vehicle sales finance, Chapter 62 takes a slightly different approach from the current law. For example, references to estimated insurance charges under the current law are not incorporated into § 6222, because they represent an archaic provision, and Chapter 62 does not contain the minimum finance charges referenced in the current law.

Other principal differences between the current law and proposed Chapter 62 specifically include the following:

(1) The gross vehicular weight under the definition of "heavy commercial motor vehicle" is changed from 15,000 to 13,000, to make it consistent with the Federal Motor Carrier Safety regulations. (§ 6202)

(2) The Department of Banking must provide a copy of the provisions of Chapter 62 to each licensee in conjunction with the license application process. This information is to be made available to the licensee's employees and to buyers of motor vehicles. (§ 6207)

(3) Chapter 62 contains specific venue provisions. (§ 6208)

(4) An initial license application must contain the physical street address of the place of business, and a post office box address is no longer adequate. (§ 6212(b)(2))

(5) The amount of the bond for a sales finance company is increased from $5,000 to $10,000. (§ 6213(c)(1))

(6) A licensee desiring to change its business address must retain a copy of the license certificate for display during the period that it is awaiting an amended license certificate. This codifies standard industry practice. (§ 6215(c)(1)(iii))

(7) A license renewal application must contain an update of specific required information. (§ 6216(3))

(8) In determining whether to issue or renew a license, the Department of Banking may not consider the criminal history of an applicant's spouse. (§ 6217(b)(2) and (3))

(9) In determining whether to issue or renew a license, the Department of Banking may not consider the criminal history of a specified person, if a plea or conviction occurred more than ten years before the filing of the application. (§ 6217(b)(2) and (3))

(10) The $0.50 charge for a duplicate copy of the installment sale contract or an additional statement of account is replaced by "a reasonable fee not to exceed the cost of production." (§§ 6221(b)(3) and 6230(b)(2))

(11) An installment sale contract must contain a statement that a buyer may have additional rights under the Unfair Trade Practices and Consumer Protection Law. (§ 6222(9))

(12) An installment sale contract may contain an acceleration clause that authorizes the seller or holder to declare the entire balance due and payable if the buyer files for bankruptcy, defaults in the payment of a cross-collateralized obligation or had provided intentionally fraudulent and misleading information on a credit application. This is intended to provide more specificity to the current statutory language authorizing the acceleration of the debt under the contract. (§ 6228(2)(v) through (vii))

(13) After a buyer pays the total amount owing under an installment sale contract, a holder must indicate on the specified instruments that the buyer's obligation has been paid in full and must, upon request, return such instruments to the buyer. (§ 6232(a)(1) and (2))

(14) "On-the-spot" delivery of the certificate of title is not required; however, delivery must occur within ten days of the date of tender of payment in full of the buyer's obligation under the installment sale contract. (§ 6232(b))

(15) An installment seller of a manufactured home may charge appraisal fees, brokerage fees and commissions, if they represent actual charges and are properly disclosed to the buyer. (§ 6233(c))

(16) A buyer's waiver of the provisions of Chapter 62 with respect to choice of law is deemed contrary to public policy and is void and unenforceable. (§ 6234(b))

(17) Only the costs of necessary repairs disclosed at the time of the installment sale may be included in the contract; necessary repairs arising after the execution of the contract may not be added to the original contract. (§ 6242(f)(2))

(18) An installment seller may compute an authorized finance charge by any method, if the charge does not exceed the specified applicable maximum percentage. This codifies current practice as sanctioned by the Department of Banking. § 6243(b)(1))

(19) A notice of repossession must contain the name and address of the person that the buyer may contact to receive a full statement of account. (§ 6254(c)(7))

(20) If personal property is left in the motor vehicle after the specified 30-day time period, the holder may dispose of the personal property in any manner that it chooses. (§ 6255)

(21) Upon the sale of a repossessed motor vehicle to a purchaser, a seller or holder must provide to the purchaser the title to the vehicle and all necessary documents to effect the transfer of the vehicle. (§ 6260(c))

(22) The seller or holder must deliver a deficiency notice, containing specific provisions, to the buyer within 30 days after the sale of the repossessed motor vehicle. (§ 6261(d)) Section 6261(b)(1)(ii) changes former law by allowing a buyer to bring an action or a proceeding to determine the reasonable value of the motor vehicle at the time of resale. The provision is intended to apply in cases involving an overage, where the value of the repossessed motor vehicle exceeds the amount owed on it. For example, under current law, if Buyer-1 owed $10,000 on the repossessed motor vehicle and the holder subsequently sold the vehicle for $12,000 to Buyer-2 who traded in a motor vehicle, Buyer-1 would have no legal recourse to collect the $2,000 overage from the holder.

(23) The maximum attorney fees that can be collected from the buyer of a manufactured home that is subject to legal action on the contract (such as repossession) is increased from $50 to $150. (§ 6262(d))

Goods and Services Installment Sales: Current Law versus the Proposed Consumer Credit Code

Proposed Chapter 63 in the bill (pages 71-104) simplifies, modernizes and reorganizes the statutory language regarding goods and services installment sales and makes it consistent with Federal law. The legislation makes conforming amendments to the Rental-Purchase Agreement Act (42 Pa.C.S. Ch. 69) and repeals the act of October 28, 1966 (1st Sp.Sess., P.L.55, No.7), known as the Goods and Services Installment Sales Act.

Terminology throughout the proposed act is changed from the 1966 Act:

(1) "Closed-end credit agreement" replaces "retail installment contract."

(2) "Finance charge" replaces "service charge" and "time price differential."

(3) "Open-end credit agreement" replaces "retail installment account" and "revolving account."

(4) "Late fee" replaces "delinquency charge."

The term "goods" is expanded to include gift cards, electronic media items and items purchased through the Internet; it specifically adds the exclusion of a security covered under the Pennsylvania Securities Act of 1972.

The term "services" is expanded to include service contracts and services purchased through the Internet.

In addition, the terms "service contract" and "warranty" are specifically defined.

Other principal differences between the current Act and proposed Chapter 63 include the following:

(1) The waiver provision specifically includes any purported waiver effected by a contractual choice of law of another jurisdiction. (§ 6303)

(2) Goods and services acquired as a result of certain specified solicitations or communications are subject to the provisions of the chapter. (§ 6304(d))

(3) In attempting to collect a buyer's obligation, a seller or holder must comply with the Fair Credit Extension Uniformity Act. (§ 6305(a))

(4) The notice of repossession and acceleration of debt must inform the buyer of the right to cure the default upon the payment of, among other things, extension charges and actual repossession costs. (§ 6309(c)(2)(i)(C) and (D))

(5) A holder of a subsequent closed-end credit agreement may incorporate by reference a buyer's previous closed-end credit agreement and a description of the collateral for the items purchased. This eliminates the need to include in the subsequent agreement another description of the previously collateralized items. (§ 6321(d))

(6) A closed-end credit agreement shall include a statement that the seller may collect from the buyer late fees, costs of collection, costs from non-affiliated entities and deferment and extension charges. (§ 6322(17))

(7) Several of the closed-end credit agreement acknowledgment provisions, based on current practice, are codified into statutory law. (§ 6323(c)(1) and (2))

(8) The $1 charge for a duplicate copy of the statement to the buyer is replaced by "a reasonable fee not to exceed the cost of production." (§ 6326(b)(2))

(9) The reference to minimum finance charges under the refinancing provisions has been eliminated, because of the preemption by Federal law. (§ 6327)

(10) A new agreement is required in the event of an add-on sale, and a memorandum is no longer sufficient. (§ 6329(c))

(11) Like a closed-end credit agreement, a seller may not obtain the signature of a buyer on an open-end credit agreement application if it contains blank spaces to be filled in after it has been signed. (§ 6332(a))

(12) Like a closed-end credit agreement, the written open-end credit agreement must contain the entire agreement of the parties regarding the costs and terms of payment for the goods and services. (§ 6332(d))

(13) The dollar amount regarding a late fee provision in a closed-end credit agreement is raised from $5 to $10, and the provision stating that "a minimum charge of $1 may be made" is eliminated. (§ 6343(a)(1))

(14) The minimum finance charge under an open-end credit agreement is raised from $0.50 to $1, and the phrase "and may be imposed for a minimum period of six months" is eliminated. (§ 6345(c)(2))

(15) A closed-end credit agreement and an open-end credit agreement may provide for the reimbursement of costs from non-affiliated entities. This codifies current practice. (§ 6346)

(16) The percentage rate for an extension or deferment charge is increased from 1% to 1½% per month simple interest. (§ 6347(b)(3))

(17) The minimum charge of $1 for an extension or deferment period is increased to $10. (§ 6347(b)(4))

(18) The rate of the finance charge after the scheduled maturity date of a closed-end credit agreement that has not been paid in full may not exceed the rate of the finance charge under the original agreement. (§ 6348)

(19) A violation of the chapter is deemed to be a violation of the Unfair Trade Practices and Consumer Protection Law. (§ 6355)

Because of the restructuring, updating and modernization of the original Goods and Services Installment Sales Act, several provisions of the 1966 Act are not codified into proposed Chapter 63, including §§ 301, 309, 501(b), 501(b.1), 501(c), 502, 605, 804, 805, 806, 902, 903, 904(b.1), 904(b.2), 904(c), 904.2, 905 and 910 and the last sentence of § 603(a).

The following sections are part of the transitional language of proposed Chapter 63: §§ 911, 1301 and 1303 and the second sentence of § 912.

Several provisions of the current act are moved into the official comments to proposed Chapter 63: the last sentence of § 303, § 306.2, the second to the last sentence of § 803 and the first sentence of § 912.

Benefits of the Motor Vehicle Sales Finance Provisions
Under the Proposed Consumer Credit Code

The codified motor vehicle sales finance provisions contain benefits to both consumers and businesses.

1. **Terminology**: the statutory language is modernized to reflect current practice.
   - The definition of motor vehicle explicitly includes a manufactured home and a recreational vehicle.
   - The terms recreational vehicle, service contract, unpaid purchase price balance and warranty are defined.
   - The term manufactured home replaces the term mobile home, consistent with the manufactured housing industry. If there is a situation involving the financing of an older mobile home, the financing would be governed by the goods and services installment sales provisions.
   - The term late charge replaces the term default charge.
   - The difference between a service contract and warranty is clarified.

2. **Coordination with Federal law**: the statutory language conforms to Federal law.
   - Under the definition of heavy commercial motor vehicle, the reference to a manufacturer's gross vehicular weight of a truck or truck tractor is changed from 15,000 to 13,000 pounds. This change is consistent with the Federal Motor Carrier Safety regulations for heavy commercial motor vehicles. (§ 6202)
   - A manufactured home is as defined in the Federal Manufactured Home Construction and Safety Standards Act. (§ 6202)
   - For the purpose of disclosing finance charges, Regulation Z, adopted under the Federal Truth in Lending Act applies. For the purpose of calculating interest rates, the definition of finance charge under § 6202 applies.
   - The notice in an installment sale contract must contain a statement that any holder of the contract is subject to all claims and defenses that the buyer can assert against the seller of goods and services obtained under the contract or with the proceeds derived from the contract. This provision in the notice is based on the notice under the Federal Holder-in-Due-Course Rule. (§ 6223(b)(1))
   - The refinance charge for a manufactured home is determined by regulations promulgated by the Federal Housing Administration pursuant to the National Housing Act. (§ 6244(b)(3))
   - The refinancing of a motor vehicle insured or guaranteed in whole or in part by the Veterans' Administration or other Federal agency or department is governed by Federal law. (§ 6244(b)(4))

3. **Disclosure and notice**: the statutory language provides important information for consumers and businesses and for oversight purposes.
   - The headings, notices and language of a contract concerning motor vehicle sales finance must be clear and conspicuous. (§ 6103(b))
   - An initial license application must contain the physical street address of the place of business (the listing of a post office box is inadequate). (§ 6212(b)(2))
   - The Department of Banking must provide a copy of the law to each licensee in conjunction with the licensee's initial license and all renewal applications. (§ 6207(a))
   - A licensee must provide a copy of the law so that an employee or a buyer may review it. (§ 6207(b))
   - An installment sale contract must contain a statement specifying that if the buyer encounters a problem, he or she may have additional rights under the Unfair Trade and Consumer Protection Law, which is administered by the Office of the Pennsylvania Attorney General. (§ 6222(9))
   - An installment sale contract may not contain an acceleration clause, where all or part of the time balance represented by payments not yet matured may be declared immediately payable, simply because the seller or holder deems itself to be insecure. Specific circumstances must exist to trigger an acceleration clause, and three additional reasons are added to the statute: the buyer files for bankruptcy, defaults in the payment of a cross-collateralized obligation or provided intentionally fraudulent and misleading information on a credit application. (§ 6228(2)(v)-(vii))
   - A buyer's waiver of any provision of the statute, including a purported waiver regarding the choice of law of another jurisdiction, is contrary to public policy and is void and unenforceable. (§ 6234(b))
   - A notice of repossession must contain the name and address of the person that the buyer may contact to receive a full statement of account. (§ 6254(c)(7))
   - Within 30 days of the sale of the repossessed motor vehicle, the seller or holder must deliver to the buyer a detailed deficiency notice. (§ 6261(d))

4. **Procedures**: the statutory language provides clarity and codifies certain business practices.
   - An action on an installment sale contract may be brought in a county where the buyer signed the contract, resides when filing the action, or resided when he or she entered into the contract. (§ 6208)
   - A licensee desiring to change its business address must retain a copy of the license certificate. (§ 6215(c)(1)(iii))
   - An installment sale contract does not need to reference "estimated insurance charges"; that concept has become antiquated. (§ 6222(5)(iv))
   - An installment seller of a manufactured home may charge appraisal fees, brokerage fees and commissions, if they represent actual charges and are properly disclosed to the buyer. (§ 6233(c))

- An installment seller may compute an authorized finance charge by any method if the charge does not exceed the applicable maximum statutory percentage. This practice has been approved by the Department of Banking. (§ 6243(b)(1))

5. **Flexibility**: the statutory language provides flexibility for businesses and in some instances narrows what the Department of Banking may consider in terms of licensing (in the case of the latter, the statutory language recognizes that certain factors or time frames under current law may be too restrictive).
   - Unlike current law, the department may not consider whether a license applicant's spouse has within ten years pleaded guilty to, entered a plea of no contest or been convicted of certain violations under the law. (§ 6217(b)(2) and (3))
   - Unlike current law, the department may only consider whether a license applicant or the applicant's affiliate, owner, partner, member, officer, director, employee or agent has pleaded guilty to, entered a plea of no contest or been convicted of certain violations under the law within the last ten years. This limits the ability of the department to penalize a person for offenses that occurred in the distant past. (§ 6217(b)(2) and (3))
   - If personal property is left in the motor vehicle after the 30-day time period under the repossession provisions, the holder may dispose of the personal property in any manner that it chooses. (§ 6255)

6. **Enforcement**: the statutory language protects the general public and improves enforcement by the Commonwealth.
   - The bond for a sales finance company, which is for the use of the Commonwealth and any person aggrieved by the misconduct of a licensee, is increased from $5,000 to $10,000. (§ 6213(c)(1))
   - Only the costs of necessary repairs disclosed at the time of the installment sale may be included in the contract; necessary repairs arising after the execution of the contract may not be added to the original contract. This prevents the situation of an installment seller rolling additional repairs costs into the existing contract and allowing repossession of the motor vehicle if the buyer defaults on paying these subsequent repair costs. If the buyer needs to finance any subsequent repair costs, a separate loan document must be executed. (§ 6242(f)(2))
   - Except as otherwise provided, in a transaction involving a commercial purpose, the motor vehicle sales finance provisions regarding repossession are limited by the secured transaction provisions under 13 Pa.C.S. (§ 6251(c))
   - A buyer may bring an action or proceeding to determine the reasonable value of the motor vehicle at the time of resale. (§ 6261(b)(1)(ii))

7. **Dollar amounts**: the statutory language updates references to dollar amounts.
   - The cost of duplicate copies of a contract or additional statements of account is raised from $0.50 to "a reasonable fee not to exceed the cost of production." (§§ 6221(b)(3) and 6230(b)(2))

8. **Clear title and release of liens**: the statutory language updates and clarifies procedures regarding titles and liens.
   - A buyer may request from the holder a return of all instruments (except those filed or recorded with a public official and retained in the files of the official) evidencing the buyer's indebtedness or constituting security under the contract and that were signed in conjunction with the contract. (§ 6232(a)(1))
   - When applicable, the holder must specify on the instruments that the buyer's obligation has been paid in full. (§ 6232(a)(2))
   - The certificate of title must be delivered to the buyer within ten days (instead of 15 days) of the date of final payment in full. On-the-spot delivery of the title is not required. (§ 6232(b))
   - Upon the sale of a repossessed motor vehicle to a purchaser, a seller or holder must provide to the purchaser the title to the vehicle and all necessary documents to effect the transfer of the vehicle. The seller or holder also must disclose any liens, back taxes or other fees owed on a repossessed manufactured home. (§ 6260(c))

Benefits of the Goods and Services Installment Sales Provisions Under the Proposed Consumer Credit Code

The codified goods and services installments sales provisions contain benefits to both consumers and businesses.

1. **Terminology**: the statutory language is modernized to reflect current practice.
   - The terminology is updated and now includes references to a closed-end credit agreement (instead of a retail installment contract), open-end credit agreement (instead of a retail installment account or revolving account), finance charge (instead of a service charge or time price differential) and late fee (instead of a delinquency charge).
   - The definition of goods specifically includes gift cards, electronic media items and items purchase through the Internet.
   - The definition of goods explicitly excludes a security covered under the Pennsylvania Securities Act of 1972.
   - The definition of services specifically includes a service contract and services purchased through the Internet.
   - The terms service contract and warranty are defined.

2. **Coordination with Federal law**: the statutory language conforms to Federal law.
   - The definition of actuarial method is as defined in Regulation Z, adopted under the Federal Truth in Lending Act. (§ 6302)

- Consistent with the Federal Truth in Lending Act, a holder may, in a buyer's subsequent closed-end credit agreement, incorporate by reference the buyer's previous closed-end credit agreement and a description of the collateral for the items purchased under the previous agreement. (§ 6321(d))
- The notice in a closed-end credit agreement must contain a statement that any holder of the contract is subject to all claims and defenses that the buyer can assert against the seller of goods and services obtained under the contract or with the proceeds derived from the contract. This provision in the notice is based on the notice under the Federal Holder-in-Due-Course Rule. (§ 6325(b))

3. **Disclosure and notice**: the statutory language provides important information for consumers and businesses and for oversight purposes.
   - The headings, notices and language of an agreement concerning goods and services installment sales must be clear and conspicuous. (§ 6103(b))
   - A buyer's waiver of any provision of the statute, including a purported waiver regarding the choice of law of another jurisdiction, is contrary to public policy and is void and unenforceable. (§ 6303)
   - A notice of repossession must also inform the buyer of extension charges and actual repossession costs to be paid to cure the default. (§ 6309(c)(2)(i)(C) and (D))
   - A closed-end credit agreement must also contain a statement that the seller may collect from the buyer late fees, costs of collection, costs from non-affiliated entities and charges for deferment and extension. (§ 6322(17))
   - With respect to a closed-end credit agreement, when a subsequent purchase is made, the seller must deliver to the buyer prior to the due date of the first installment a new agreement instead of simply a memorandum. This requirement provides the specific statutory disclosures to the buyer and preserves the holder-in-due-course status. (§ 6329(c))
   - A seller may not obtain the signature of a buyer on an application for an open-end credit agreement if it contains blank spaces to be filled in after it has been signed. (§ 6332(a))
   - The written open-end credit agreement shall contain the entire agreement of the parties regarding the costs and terms of payment for the goods and services. (§ 6332(d))

4. **Enforcement**: the statutory language protects the general public and improves enforcement by the Commonwealth.
   - The sales of goods or services that subsequently result from a solicitation or communication are subject to the statute. (§ 6304(d))
   - In attempting to collect a buyer's obligation, a seller or holder must comply with the Fair Credit Extension Uniformity Act. (§ 6305(a))
   - If a seller fails to comply with the statute, the seller or holder who acquires the agreement with knowledge of the non-compliance is also barred from recovering interest after maturity. (§ 6352(a)(6))
   - If a seller or holder willfully violates the statute regarding the finance charge provisions for add-on sales, the buyer may recover from the seller or holder

treble the actual costs paid by the buyer, which also include interest after maturity. (§ 6353(a)(6))

- A violation of any goods and services installment sales provision is deemed to be a violation of the Unfair Trade Practices and Consumer Protection Law. (§ 6355)

5. **Procedures**: the statutory language provides clarity and codifies certain business practices.
   - The seller must present an acknowledgment to the buyer specifying that the buyer has received a copy of the closed-end credit agreement, which may be a separate document or contained in the original agreement. (§ 6323(c)(1) and (2))
   - A seller or holder may be reimbursed by the buyer for certain costs incurred from non-affiliated entities, such as processing fees for electronic checking, credit applications and credit reports. (§ 6346)
   - If a balance remains unpaid at the expiration of the scheduled maturity date of a closed-end credit agreement, the rate of the finance charge for the period beginning at the date of the maturity until payment in full may not exceed the rate of the finance charge under the original agreement. (§ 6348)

6. **Dollar amounts**: the statutory language updates references to dollar amounts.
   - The cost of duplicate copies of an additional statement is raised from $1.00 to "a reasonable fee not to exceed the cost of production." (§ 6326(b)(2))
   - The maximum late fee regarding an open-end credit agreement is increased from $5 to $10. (§ 6343(a)(1))
   - The minimum finance charge per month regarding an open-end credit agreement is increased from $0.50 to $1. (§ 6345(c)(2))
   - The maximum amount of interest per month that may be charged for extension or deferment is increased from 1% to 1.5%. (§ 6347(b)(3))
   - The minimum extension or deferment charge is increased from $1 to $10. (§ 6347(b)(4))