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SENATE BILL NO. 982

Offered January 19, 1999

A *BILL to amend and reenact §§ 6.1-330.63 and 6.1-330.78 of the Code of Virginia, relating to credit cards; charges for credit insurance.*

Patron—Barry

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That §§ 6.1-330.63 and 6.1-330.78 of the Code of Virginia are amended and reenacted as follows:

§ 6.1-330.63. Charges by banks or savings institutions; revolving credit.

A. Notwithstanding any other provision of this chapter, any bank or savings institution may impose finance charges and other charges and fees at such rates and in such amounts and manner as may be agreed by the borrower under a contract for revolving credit or any plan which permits an obligor to avail himself of the credit so established. *However, and notwithstanding any other provision of law, unless expressly agreed to by the borrower or obligor in writing, no bank or savings institution canceling credit privileges under any such contract or plan effected by the use of a credit card for the purchase of merchandise or services, shall continue to add, assess or accrue any charge or charges for credit insurance thereon beyond the effective date of such credit privilege cancellation, irrespective of whether (i) such cancellation is imposed by the banking or savings institution, or is requested by the borrower or obligor, or (ii) a balance is due under such contract or plan. Moreover, any such credit insurance shall be deemed canceled concurrent with the cancellation of credit privileges under such contract or plan, unless the borrower or obligor (a) expressly requests its continuation in writing and (b) authorizes the bank or savings institution to add, assess or accrue charges therefor.*

In the event of the extension of credit by a bank or savings institution hereunder to be effected by the use of a credit card for the purchase of merchandise or services, no finance charge shall be imposed upon the cardholder or borrower on such extension of credit if payment in full of the unpaid balance owing for all extensions of credit under the revolving credit contract or plan is received at the place designated by the creditor prior to the next billing date (which shall be at least twenty-five days later than the prior billing date).

B. Any application form or preapproved written solicitation for an open-end credit card account to be used for personal, family, or household purposes which is mailed on or after January 1, 1988, to a consumer residing in this Commonwealth by or on behalf of a creditor, whether or not the creditor is located in this Commonwealth, other than an application form or solicitation included in a magazine, newspaper, or other publication distributed by someone other than the creditor, shall contain or be accompanied by any of the following disclosures:

1. A disclosure of each of the following if applicable:

a. Any periodic rate or rates that may be applied to the account, expressed as an annual percentage rate or rates. If the account is subject to a variable rate, the creditor may instead disclose the rate as of a specific date and indicate that the rate may vary, or identify the index and any amount or percentage added to, or subtracted from, that index and used to determine the rate.

b. Any membership or participation fee that may be imposed for availability of a credit card account.

c. Any transaction fee that may be imposed on purchases, or any other charge or fee that may be imposed, expressed as an amount or as a percentage of the transaction, as applicable.

d. Any grace period or free period during which the consumer may repay the full balance reflected on a billing statement which is attributable to purchases of goods or services from the creditor or from merchants participating in the credit card plan, without the imposition of additional finance charges. The creditor shall either disclose the number of days of that period, calculated from the closing date of the prior billing cycle to the date designated in the billing statement sent to the consumer as the date by which that payment must be received to avoid additional finance charges, or describe the manner in which the period is calculated. If the creditor does not provide such a period for purchases, the disclosure shall so indicate;

2. A disclosure that satisfies the initial disclosure requirements of Regulation Z; or

3. If a creditor is now or hereafter required under federal law to make disclosures of the terms applicable to a credit card account in connection with application forms or solicitations, the creditor shall be deemed to have complied with the requirements of this subsection if the creditor complies with the federal disclosure requirements. The disclosure of any transaction fee that may be imposed on

60 purchases, or any other charge or fee, shall be written on any such application form or preapproved
61 written solicitation.

62 C. A contract for revolving credit between a bank or savings institution and an obligor, or any plan
63 which permits an obligor to avail himself of the credit so established, shall be governed solely by
64 federal law, and by the laws of the Commonwealth of Virginia unless otherwise expressly agreed in
65 writing by the parties.

66 § 6.1-330.78. Open-end sales and loan plans.

67 A. Notwithstanding any provision of this chapter other than § 6.1-330.71, any seller or lender
68 engaged in the extension of credit under an open-end credit or similar plan under which a finance
69 charge is imposed upon the obligor, if payment in full of the unpaid balance is not received at the place
70 designated by the creditor prior to the next billing date (which shall be at least twenty-five days later
71 than the prior billing date), may impose finance charges and other charges and fees at such rates and in
72 such amounts and manner as may be agreed upon by the seller or lender and the obligor. *However, and*
73 *notwithstanding any other provision of law, unless expressly agreed to by the obligor in writing, no*
74 *seller or lender canceling credit privileges under any such open-end credit or similar plan effected by*
75 *the use of a credit card for the purchase of merchandise or services, shall continue to add, assess or*
76 *accrue any charge or charges for credit insurance thereon beyond the effective date of such credit*
77 *privilege cancellation, irrespective of whether (i) such cancellation is imposed by the seller or lender, or*
78 *is requested by the obligor, or (ii) a balance is due under such contract or plan. Moreover, any such*
79 *credit insurance shall be deemed canceled concurrent with the cancellation of credit privileges under*
80 *such contract or plan, unless the obligor (a) expressly requests its continuation in writing or (b)*
81 *authorizes the seller or lender to add, assess or accrue charges therefor.*

82 B. Notwithstanding the provisions of § 6.1-330.71 and subject to the provisions of § 8.9-204.1, any
83 loan made under this section may be secured in whole or in part by a subordinate mortgage or deed of
84 trust on residential real estate improved by the construction thereon of housing consisting of one to four
85 family dwelling units.

86 C. Any application form or preapproved written solicitation for an open-end credit card account to be
87 used for personal, family, or household purposes which is mailed on or after January 1, 1988, to a
88 consumer residing in this Commonwealth by or on behalf of a creditor, whether or not the creditor is
89 located in this Commonwealth, other than an application form or solicitation included in a magazine,
90 newspaper, or other publication distributed by someone other than the creditor, shall contain or be
91 accompanied by any of the following disclosures:

92 1. A disclosure of each of the following if applicable:

93 a. Any periodic rate or rates that may be applied to the account, expressed as an annual percentage
94 rate or rates. If the account is subject to a variable rate, the creditor may instead disclose the rate as of a
95 specific date and indicate that the rate may vary, or identify the index and any amount or percentage
96 added to, or subtracted from, that index and used to determine the rate.

97 b. Any membership or participation fee that may be imposed for availability of a credit card account.

98 c. Any transaction fee that may be imposed on purchases, or any other charge or fee that may be
99 imposed, expressed as an amount or as a percentage of the transaction, as applicable.

100 d. Any grace period or free period during which the consumer may repay the full balance reflected
101 on a billing statement which is attributable to purchases of goods or services from the creditor or from
102 merchants participating in the credit card plan, without the imposition of additional finance charges. The
103 creditor shall either disclose the number of days of that period, calculated from the closing date of the
104 prior billing cycle to the date designated in the billing statement sent to the consumer as the date by
105 which that payment must be received to avoid additional finance charges, or describe the manner in
106 which the period is calculated. If the creditor does not provide such a period for purchases, the
107 disclosure shall so indicate;

108 2. A disclosure that satisfies the initial disclosure requirements of Regulation Z; or

109 3. If a creditor is now or hereafter required under federal law to make disclosures of the terms
110 applicable to a credit card account in connection with application forms or solicitations, the creditor
111 shall be deemed to have complied with the requirements of this subsection if the creditor complies with
112 the federal disclosure requirements. The disclosure of any transaction fee that may be imposed on
113 purchases, or any other charge or fee, shall be written on any such application form or preapproved
114 written solicitation.

115 D. An open-end credit or similar plan between a seller or lender and an obligor shall be governed
116 solely by federal law, and by the laws of the Commonwealth of Virginia unless otherwise expressly
117 agreed in writing by the parties.