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**HOUSE BILL NO. 325**

Offered January 11, 2006

Prefiled January 4, 2006

*A BILL to amend and reenact § 6.1-330.78 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 6.1-330.77:2, relating to the rate of interest on motor vehicle title loans.*

Patrons—Morgan and Toscano

Referred to Committee on Transportation

**Be it enacted by the General Assembly of Virginia:**

**1. That § 6.1-330.78 of the Code of Virginia is amended and reenacted and that the Code of Virginia is amended by adding a section numbered 6.1-330.77:2, as follows:**

*§ 6.1-330.77:2. Interest on title loans.*

*A. As used in this section:*

*"Motor vehicle" means an automobile, motorcycle, mobile home, truck, trailer, semitrailer, truck tractor and semitrailer combination, or any other vehicle operated on the public highways and streets of the Commonwealth that is self-propelled or designed for self-propulsion, used to transport persons or property, owned by a natural person, and used for nonbusiness purposes.*

*"Title loan" means a loan of money secured by a bailment of a certificate of title to a motor vehicle or by a security interest in a motor vehicle.*

*B. Notwithstanding any provision of law to the contrary, no contract shall be made for the payment of interest on a title loan at a rate greater than 36% per year.*

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

*A. Notwithstanding any provision of this chapter other than § 6.1-330.71, any Any seller or lender engaged in the extension of credit under an open-end credit or similar plan under which a finance charge is imposed upon the obligor, if payment in full of the unpaid balance is not received at the place designated by the creditor prior to the next billing date (which shall be at least 25 days later than the prior billing date), may impose finance charges and other charges and fees at such rates and in such amounts and manner as may be agreed upon by the seller or lender and the obligor.*

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

*C. Any application form or preapproved written solicitation for an open-end credit card account to be used for personal, family, or household purposes that 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 that 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*

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59 applicable to a credit card account in connection with application forms or solicitations, the creditor  
60 shall be deemed to have complied with the requirements of this subsection if the creditor complies with  
61 the federal disclosure requirements. The disclosure of any transaction fee that may be imposed on  
62 purchases, or any other charge or fee, shall be written on any such application form or preapproved  
63 written solicitation.

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