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## SENATE BILL NO. 624

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the Senate Committee on Commerce and Labor  
on January 29, 2018)

(Patron Prior to Substitute—Senator Surovell)

A BILL to amend and reenact §§ 6.2-312 and 59.1-200 of the Code of Virginia, relating to the Virginia Consumer Protection Act; open-end credit plans.

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

**1. That §§ 6.2-312 and 59.1-200 of the Code of Virginia are amended and reenacted as follows:**

**§ 6.2-312. Open-end credit plans.**

A. Notwithstanding any provision of this chapter other than § 6.2-327, and except as provided in subsection C, a seller or lender engaged in extending credit under an open-end credit plan may impose, on credit extended under the plan, finance charges and other charges and fees at such rates and in such amounts and manner as may be agreed upon by the creditor and the obligor, if under the plan 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.

B. Notwithstanding the provisions of § 6.2-327 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. ~~(i)~~ A licensee, as defined in § 6.2-1800 or 6.2-2201, shall not engage in the extension of credit under an open-end credit plan described in this section ~~and~~; ~~(ii)~~ a. A third party shall not engage in the extension of credit under an open-end credit plan described in this section at any office, suite, room, or place of business where a licensee conducts the business of making payday loans or motor vehicle title loans. In addition to any other remedies or penalties provided for a violation of this section, any such extension of credit made by a licensee or third party in violation of this subsection shall be unenforceable against the borrower.

D. No person shall make a loan or otherwise extend credit under an open-end credit plan or any other lending arrangement that is secured by a non-purchase money security interest in a motor vehicle, as such term is defined in § 6.2-2200, unless such loan or extension of credit is made in accordance with, or is exempt from, the provisions of Chapter 22 (§ 6.2-2200 et seq.).

E. If a licensee, as defined in § 6.2-1800, surrenders its license under Chapter 18 (§ 6.2-1800 et seq.) or has its license revoked, and if following such surrender or revocation of its license the former licensee engages in the extension of credit under an open-end credit plan as described in this section, then the Commission shall not issue to such former licensee, or to any affiliate of the former licensee, a license under Chapter 18 (§ 6.2-1800 et seq.) for a period of 10 years from the date such license is surrendered or revoked. As used in this subsection, "affiliate of the former licensee" means a business entity that owns or controls, is owned or controlled by, or is under common ownership or control with, the former licensee.

F. No person shall engage in the business of extending credit under an open-end credit plan, whether or not the person has an office or conducts business at a location in the Commonwealth, to any resident of the Commonwealth or any individual in the Commonwealth (i) except in accordance with the provisions of this section and (ii) without having first obtained a license under this section from the Commission. Electing to become licensed under this section shall constitute a waiver of the benefit of any and all laws of the Commonwealth and other states and federal laws preemptive of, or inconsistent with, the provisions of this section.

G. No person shall engage in the business of arranging or brokering credit under an open-end credit plan under this section for any consumer residing in the Commonwealth, whether or not the person has an office or conducts business at a location in the Commonwealth.

H. An application for a license under this section shall be made in writing, under oath, and on a form provided by the Commissioner. The application shall be accompanied by payment of an application fee of \$500. The application fee shall not be refundable in any event. The fee shall not be abated by surrender, suspension, or revocation of the license. The Commissioner may make such investigations as he deems necessary to determine if the applicant has complied with all applicable provisions of law and regulations adopted thereunder. The application shall set forth:

1. The name and address of the applicant and (i) if the applicant is a partnership, firm, or association, the name and address of each partner or member; (ii) if the applicant is a corporation or limited liability company, the name and address of each director, member, registered agent, and

60 principal; or (iii) if the applicant is a business trust, the name and address of each trustee and  
61 beneficiary;

62 2. The addresses of the locations of the business to be licensed; and

63 3. Such other information concerning the financial responsibility, background, experience, and  
64 activities of the applicant and its members, officers, directors, and principals as the Commissioner may  
65 require.

66 1. The application for a license shall also be accompanied by a bond filed with the Commissioner  
67 with corporate surety authorized to execute such bond in the Commonwealth, in the sum of \$50,000 per  
68 location, not to exceed a total of \$500,000. The form of such bond shall be approved by the  
69 Commission. Such bond shall be continuously maintained thereafter in full force. Such bond shall be  
70 conditioned upon the applicant or licensee performing all written agreements with borrowers or  
71 prospective borrowers, correctly and accurately accounting for all funds received by him in his licensed  
72 business, and conducting his licensed business in conformity with this section and all applicable laws.  
73 Any person who may be damaged by noncompliance of the licensee with any condition of such bond  
74 may proceed on such bond against the principal or surety thereon, or both, to recover damages. The  
75 aggregate liability under the bond shall not exceed the penal sum of the bond.

76 J. Upon the filing and investigation of an application for a license, and compliance by the applicant  
77 with the provisions of subsection H, the Commission shall issue and deliver to the applicant the license  
78 applied for to engage in business under this section at the locations specified in the application if it  
79 finds:

80 1. That the financial responsibility, character, reputation, experience, and general fitness of the  
81 applicant and its members, senior officers, directors, trustees, and principals are such as to warrant  
82 belief that the business will be operated efficiently and fairly, in the public interest, and in accordance  
83 with law; and

84 2. That the applicant has unencumbered liquid assets per location available for the operation of the  
85 business of at least \$75,000.

86 If the Commission fails to make such findings, no license shall be issued, and the Commissioner  
87 shall notify the applicant of the denial and the reasons for such denial.

88 K. Any person that makes a loan or otherwise extends credit under an open-end credit plan shall  
89 comply with the following:

90 1. The person shall not obtain or accept from a borrower an authorization to electronically debit the  
91 borrower's deposit account;

92 2. In collecting or attempting to collect a loan, the person shall comply with the restrictions and  
93 prohibitions applicable to debt collectors contained in the Fair Debt Collection Practices Act (15 U.S.C.  
94 § 1692 et seq.) regarding harassment or abuse; false, misleading, or deceptive statements or  
95 representations; and unfair practices in collections;

96 3. The person shall not make a loan or otherwise extend credit under an open-end credit plan to a  
97 borrower if the loan or extension would cause the borrower to have more than one loan or extension  
98 under an open-end credit plan outstanding at the same time; and

99 4. The person shall not file or initiate a legal proceeding of any kind against a borrower until 60  
100 days after the date of default on an open-end credit plan, during which period the person and the  
101 borrower may voluntarily enter into a repayment arrangement.

102 L. The provisions of this section shall apply to any person that makes a loan or otherwise extends  
103 credit under an open-end credit plan over the Internet to Virginia residents or any individuals in  
104 Virginia, whether or not the person making the loan or extending the credit maintains a physical  
105 presence in the Commonwealth.

106 M. Any violation of the provisions of this section shall constitute a prohibited practice in accordance  
107 with § 59.1-200 and shall be subject to any and all of the enforcement provisions of the Virginia  
108 Consumer Protection Act (§ 59.1-196 et seq.).

109 N. The provisions of subsections F through M shall not apply to any bank, savings institution, or  
110 credit union as such terms are defined in § 6.2-300.

111 **§ 59.1-200. Prohibited practices.**

112 A. The following fraudulent acts or practices committed by a supplier in connection with a consumer  
113 transaction are hereby declared unlawful:

114 1. Misrepresenting goods or services as those of another;

115 2. Misrepresenting the source, sponsorship, approval, or certification of goods or services;

116 3. Misrepresenting the affiliation, connection, or association of the supplier, or of the goods or  
117 services, with another;

118 4. Misrepresenting geographic origin in connection with goods or services;

119 5. Misrepresenting that goods or services have certain quantities, characteristics, ingredients, uses, or  
120 benefits;

121 6. Misrepresenting that goods or services are of a particular standard, quality, grade, style, or model;

7. Advertising or offering for sale goods that are used, secondhand, repossessed, defective, blemished, deteriorated, or reconditioned, or that are "seconds," irregulars, imperfects, or "not first class," without clearly and unequivocally indicating in the advertisement or offer for sale that the goods are used, secondhand, repossessed, defective, blemished, deteriorated, reconditioned, or are "seconds," irregulars, imperfects or "not first class";

8. Advertising goods or services with intent not to sell them as advertised, or with intent not to sell at the price or upon the terms advertised.

In any action brought under this subdivision, the refusal by any person, or any employee, agent, or servant thereof, to sell any goods or services advertised or offered for sale at the price or upon the terms advertised or offered, shall be prima facie evidence of a violation of this subdivision. This paragraph shall not apply when it is clearly and conspicuously stated in the advertisement or offer by which such goods or services are advertised or offered for sale, that the supplier or offeror has a limited quantity or amount of such goods or services for sale, and the supplier or offeror at the time of such advertisement or offer did in fact have or reasonably expected to have at least such quantity or amount for sale;

9. Making false or misleading statements of fact concerning the reasons for, existence of, or amounts of price reductions;

10. Misrepresenting that repairs, alterations, modifications, or services have been performed or parts installed;

11. Misrepresenting by the use of any written or documentary material that appears to be an invoice or bill for merchandise or services previously ordered;

12. Notwithstanding any other provision of law, using in any manner the words "wholesale," "wholesaler," "factory," or "manufacturer" in the supplier's name, or to describe the nature of the supplier's business, unless the supplier is actually engaged primarily in selling at wholesale or in manufacturing the goods or services advertised or offered for sale;

13. Using in any contract or lease any liquidated damage clause, penalty clause, or waiver of defense, or attempting to collect any liquidated damages or penalties under any clause, waiver, damages, or penalties that are void or unenforceable under any otherwise applicable laws of the Commonwealth, or under federal statutes or regulations;

13a. Failing to provide to a consumer, or failing to use or include in any written document or material provided to or executed by a consumer, in connection with a consumer transaction any statement, disclosure, notice, or other information however characterized when the supplier is required by 16 C.F.R. Part 433 to so provide, use, or include the statement, disclosure, notice, or other information in connection with the consumer transaction;

14. Using any other deception, fraud, false pretense, false promise, or misrepresentation in connection with a consumer transaction;

15. Violating any provision of § 3.2-6512, 3.2-6513, or 3.2-6516, relating to the sale of certain animals by pet dealers which is described in such sections, is a violation of this chapter;

16. Failing to disclose all conditions, charges, or fees relating to:

a. The return of goods for refund, exchange, or credit. Such disclosure shall be by means of a sign attached to the goods, or placed in a conspicuous public area of the premises of the supplier, so as to be readily noticeable and readable by the person obtaining the goods from the supplier. If the supplier does not permit a refund, exchange, or credit for return, he shall so state on a similar sign. The provisions of this subdivision shall not apply to any retail merchant who has a policy of providing, for a period of not less than 20 days after date of purchase, a cash refund or credit to the purchaser's credit card account for the return of defective, unused, or undamaged merchandise upon presentation of proof of purchase. In the case of merchandise paid for by check, the purchase shall be treated as a cash purchase and any refund may be delayed for a period of 10 banking days to allow for the check to clear. This subdivision does not apply to sale merchandise that is obviously distressed, out of date, post season, or otherwise reduced for clearance; nor does this subdivision apply to special order purchases where the purchaser has requested the supplier to order merchandise of a specific or unusual size, color, or brand not ordinarily carried in the store or the store's catalog; nor shall this subdivision apply in connection with a transaction for the sale or lease of motor vehicles, farm tractors, or motorcycles as defined in § 46.2-100;

b. A layaway agreement. Such disclosure shall be furnished to the consumer (i) in writing at the time of the layaway agreement, or (ii) by means of a sign placed in a conspicuous public area of the premises of the supplier, so as to be readily noticeable and readable by the consumer, or (iii) on the bill of sale. Disclosure shall include the conditions, charges, or fees in the event that a consumer breaches the agreement;

16a. Failing to provide written notice to a consumer of an existing open-end credit balance in excess of \$5 (i) on an account maintained by the supplier and (ii) resulting from such consumer's overpayment on such account. Suppliers shall give consumers written notice of such credit balances within 60 days of

183 receiving overpayments. If the credit balance information is incorporated into statements of account  
184 furnished consumers by suppliers within such 60-day period, no separate or additional notice is required;  
185 17. If a supplier enters into a written agreement with a consumer to resolve a dispute that arises in  
186 connection with a consumer transaction, failing to adhere to the terms and conditions of such an  
187 agreement;  
188 18. Violating any provision of the Virginia Health Club Act, Chapter 24 (§ 59.1-294 et seq.);  
189 19. Violating any provision of the Virginia Home Solicitation Sales Act, Chapter 2.1 (§ 59.1-21.1 et  
190 seq.);  
191 20. Violating any provision of the Automobile Repair Facilities Act, Chapter 17.1 (§ 59.1-207.1 et  
192 seq.);  
193 21. Violating any provision of the Virginia Lease-Purchase Agreement Act, Chapter 17.4  
194 (§ 59.1-207.17 et seq.);  
195 22. Violating any provision of the Prizes and Gifts Act, Chapter 31 (§ 59.1-415 et seq.);  
196 23. Violating any provision of the Virginia Public Telephone Information Act, Chapter 32  
197 (§ 59.1-424 et seq.);  
198 24. Violating any provision of § 54.1-1505;  
199 25. Violating any provision of the Motor Vehicle Manufacturers' Warranty Adjustment Act, Chapter  
200 17.6 (§ 59.1-207.34 et seq.);  
201 26. Violating any provision of § 3.2-5627, relating to the pricing of merchandise;  
202 27. Violating any provision of the Pay-Per-Call Services Act, Chapter 33 (§ 59.1-429 et seq.);  
203 28. Violating any provision of the Extended Service Contract Act, Chapter 34 (§ 59.1-435 et seq.);  
204 29. Violating any provision of the Virginia Membership Camping Act, Chapter 25 (§ 59.1-311 et  
205 seq.);  
206 30. Violating any provision of the Comparison Price Advertising Act, Chapter 17.7 (§ 59.1-207.40 et  
207 seq.);  
208 31. Violating any provision of the Virginia Travel Club Act, Chapter 36 (§ 59.1-445 et seq.);  
209 32. Violating any provision of §§ 46.2-1231 and 46.2-1233.1;  
210 33. Violating any provision of Chapter 40 (§ 54.1-4000 et seq.) of Title 54.1;  
211 34. Violating any provision of Chapter 10.1 (§ 58.1-1031 et seq.) of Title 58.1;  
212 35. Using the consumer's social security number as the consumer's account number with the supplier,  
213 if the consumer has requested in writing that the supplier use an alternate number not associated with  
214 the consumer's social security number;  
215 36. Violating any provision of Chapter 18 (§ 6.2-1800 et seq.) of Title 6.2;  
216 37. Violating any provision of § 8.01-40.2;  
217 38. Violating any provision of Article 7 (§ 32.1-212 et seq.) of Chapter 6 of Title 32.1;  
218 39. Violating any provision of Chapter 34.1 (§ 59.1-441.1 et seq.);  
219 40. Violating any provision of Chapter 20 (§ 6.2-2000 et seq.) of Title 6.2;  
220 41. Violating any provision of the Virginia Post-Disaster Anti-Price Gouging Act, Chapter 46  
221 (§ 59.1-525 et seq.);  
222 42. Violating any provision of Chapter 47 (§ 59.1-530 et seq.);  
223 43. Violating any provision of § 59.1-443.2;  
224 44. Violating any provision of Chapter 48 (§ 59.1-533 et seq.);  
225 45. Violating any provision of Chapter 25 (§ 6.2-2500 et seq.) of Title 6.2;  
226 46. Violating the provisions of clause (i) of subsection B of § 54.1-1115;  
227 47. Violating any provision of § 18.2-239;  
228 48. Violating any provision of Chapter 26 (§ 59.1-336 et seq.);  
229 49. Selling, offering for sale, or manufacturing for sale a children's product the supplier knows or has  
230 reason to know was recalled by the U.S. Consumer Product Safety Commission. There is a rebuttable  
231 presumption that a supplier has reason to know a children's product was recalled if notice of the recall  
232 has been posted continuously at least 30 days before the sale, offer for sale, or manufacturing for sale  
233 on the website of the U.S. Consumer Product Safety Commission. This prohibition does not apply to  
234 children's products that are used, secondhand or "seconds";  
235 50. Violating any provision of Chapter 44.1 (§ 59.1-518.1 et seq.);  
236 51. Violating any provision of Chapter 22 (§ 6.2-2200 et seq.) of Title 6.2;  
237 52. Violating any provision of § 8.2-317.1;  
238 53. Violating subsection A of § 9.1-149.1;  
239 54. Selling, offering for sale, or using in the construction, remodeling, or repair of any residential  
240 dwelling in the Commonwealth, any drywall that the supplier knows or has reason to know is defective  
241 drywall. This subdivision shall not apply to the sale or offering for sale of any building or structure in  
242 which defective drywall has been permanently installed or affixed;  
243 55. Engaging in fraudulent or improper or dishonest conduct as defined in § 54.1-1118 while  
244 engaged in a transaction that was initiated (i) during a declared state of emergency as defined in

245 § 44-146.16 or (ii) to repair damage resulting from the event that prompted the declaration of a state of  
246 emergency, regardless of whether the supplier is licensed as a contractor in the Commonwealth pursuant  
247 to Chapter 11 (§ 54.1-1100 et seq.) of Title 54.1; ~~and~~  
248 56. Violating any provision of Chapter 33.1 (§ 59.1-434.1 et seq.); *and*  
249 57. *Violating any provision of § 6.2-312.*  
250 B. Nothing in this section shall be construed to invalidate or make unenforceable any contract or  
251 lease solely by reason of the failure of such contract or lease to comply with any other law of the  
252 Commonwealth or any federal statute or regulation, to the extent such other law, statute, or regulation  
253 provides that a violation of such law, statute, or regulation shall not invalidate or make unenforceable  
254 such contract or lease.