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CH. 2 CREDIT SALES

CHAPTER 2
CREDIT SALES

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§ 2101. Short Title.

This Article shall be known and may be cited as *Uniform Consumer Credit Code -- Credit Sales*.

§ 2102. Scope.

This Article applies to consumer credit sales, including home solicitation sales, and consumer leases; in addition Part F [Article 6] applies to credit sales other than consumer credit sales.

§ 2103. Index of Definitions.

The following definitions apply to this Act and appear in this Article as follows:

Amount financed

§ 2111

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§ 2104. Definition: Consumer Credit Sale.

(1) *Consumer credit sale* is a transaction in which:

(a) a sale of goods, services or an interest in land is made and in which credit is granted by a seller who regularly engages in credit transactions as a seller;

(b) the buyer is a person other than an organization; and

(c) the goods, services or interest in land are purchased primarily for a personal, family, household or agricultural purpose.

(2) *Consumer credit sale* does not include:

(a) a sale in which the seller allows the buyer to purchase goods or services pursuant to a credit card or similar arrangement;
or

(b) a sale of an interest in land if the credit service charge, however calculated, does not exceed ten percent (10%) per year calculated on the unpaid balances of the amount financed according to the United States rule. For the purpose of calculating the rate of the credit service charge, non-periodic charges made at the inception of the sale which are included in the credit service charge shall be

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amortized over the term of the sale agreement notwithstanding that the debt is paid prior to the end of the agreed term and charges for the privilege of prepaying the debt shall not be included in the credit service charge.

§ 2105. Same: Goods; Merchandise Certificate; Services; Sale of Goods; Sale of Services; Sale of an Interest in Land; Precomputed.

(1) *Goods* include goods not yet in existence at the time the transaction is entered into and merchandise certificates, but excludes money, chattel paper, documents of title and instruments.

(2) *Merchandise certificate* means a writing issued by a seller not redeemable in cash and to be used in its face amount in lieu of cash in exchange for goods for services.

(3) *Services* includes (a) work, labor and other personal services, and (b) privileges with respect to transportation, hotel and restaurant accommodations, education, entertainment, recreation, physical culture, hospital accommodations, funerals, cemetery accommodations, and the like. Service does not include insurance.

(4) *Sale of goods* includes a bailment or lease of goods which is intended as a means whereby the bailee or lessee will ultimately become the owner of the goods. A bailment or lease under which the bailee or lessee has the privilege to purchase or retain the goods for no additional consideration or for a nominal consideration is one so intended but a sale on approval is not.

(5) *Sale of services* means furnishing or agreeing to furnish services and includes making arrangements to have services furnished by another.

(6) *Sale of an interest in land* includes a lease in which the lessee has an option to purchase an interest in land and the rental or other payments previously made by him are applied in a substantial part to the purchase price.

(7) A *sale, refinancing or consolidation* is precomputed if the debt is expressed as a sum comprising the amount financed and the amount of the credit service charge computed in advance.

§ 2106. Same: Consumer Lease.

(1) *Consumer lease* means a lease of goods which a lessor, regularly engaged in the business of leasing, makes to a person, other than an or-

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ganization, who is taking under the lease primarily for a personal, family, household or agricultural purpose.

(2) *Consumer lease* does not include a lease in which the lessor allows the lessee to lease goods pursuant to a credit card or similar arrangement.

§ 2107. Same: Transferee.

Transferee means an assignee of the right to payment of a seller or lessor arising out of a consumer credit sale or a consumer lease, other than a person who takes an assignment in bulk as security for a loan.

§ 2108. Same: Revolving Charge Account.

Revolving charge account means an arrangement between a seller and a buyer pursuant to which (1) the seller may permit the buyer to purchase from the seller or an affiliate goods or services on credit, (2) the debts arising from purchases, credit service charges and other service charges will be debited to an account, (3) a credit service charge may be computed from time to time on the basis of the balances of the buyer's account, and (4) the buyer will have the privilege of paying the balances in installments.

§ 2109. Same: Credit Service Charge.

Credit service charge means the total of (1) the time price differential or other charge, however denominated, which is paid or payable, directly or indirectly, to or for the account of the seller or his transferee, or to a person related to or designated by him, by the buyer of goods, services or an interest in land for the privilege of paying for the goods, services or an interest in land over a period of time, and (2) charges incurred for investigating the collateral or credit-worthiness of the buyer or for commissions or brokerage for obtaining the credit, irrespective of the person to whom they are paid or payable, unless the seller had no notice of the charges at the time the credit was granted. It does not include charges as a result of default, additional charges (§ 2202), delinquency charges (§ 2203), and deferral charges (§ 2204).

§ 2110. Same: Cash Price.

The *cash price* of goods, services or an interest in land means the price at which the goods, services or interest in land are offered for sale by the seller to cash buyers in the ordinary course of business, and may include (1) applicable sales, use and excise and documentary stamp

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taxes, (2) the cash price of accessories or related services such as delivery, installation, servicing, repairs, alterations and improvements, and (3) amounts actually paid or to be paid by the seller for registration, certificate of title or license fees. The cash price stated by the seller to the buyer pursuant to the provisions on disclosure (Article 3) of this Chapter is presumed to be the case price.

§ 2111. Same: Amount Financed.

Amount financed means the total of (1) the case price of the goods, services or interest in land less the amount of any down payment whether made in cash or in property traded in, (2) the amount actually paid or to be paid by the seller pursuant to an agreement with the buyer to discharge a security interest in or a lien on property traded in, (3) any applicable sales, use or excise and documentary stamp taxes if not included in the case price, (4) amounts actually paid or to be paid by the seller for registration, certificate of title or license fees if not included in the cash price, and (5) additional charges permitted by this Article (§ 2202).

**ARTICLE 2
FINANCE CHARGES**

- § 2201. Credit Service Charge for Consumer Credit Sales Other Than Revolving Charge Accounts.
- § 2202. Additional Charges.
- § 2203. Delinquency Charges.
- § 2204. Deferral Charges.
- § 2205. Credit Service Charge: Refinancing.
- § 2206. Same: Consolidation.
- § 2207. Same: Revolving Charge Accounts.
- § 2208. Advances to Perform Covenants of Buyer.
- § 2209. Right to Prepay.
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- § 2211. Filed Rates Excluded.

§ 2201. Credit Service Charge for Consumer Credit Sales Other Than Revolving Charge Accounts.

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(1) With respect to a consumer credit sale, other than a sale pursuant to a revolving charge account, the parties to the sale agreement may contract for the payment by the buyer of an amount comprising the amount financed and a credit service charge not in excess of that permitted by this Section. So long as the credit service charge does not exceed the equivalent of that permitted by this Section, it may be calculated by way of discount, monthly or annual dollars-per-one-hundred-dollars add-on, monthly or annual percentage rate, or otherwise.

(2) The credit service charge may not exceed the greater of either of the following:

(a) the total of

(i) thirty-six percent (36%) per year, calculated according to the United States rule on that part of the unpaid balances of the amount financed which is Three Hundred Dollars (\$300.00), or less;

(ii) twenty-one percent (21%) per year, calculated according to the United States rule on that part of the unpaid balances of the amount financed which is more than Three Hundred Dollars (\$300.00) but does not exceed One Thousand Dollars (\$1,000.00); and

(iii) fifteen percent (15%) per year, calculated according to the United States rule on that part of the unpaid balances of the amount financial which is more than One Thousand Dollars (\$1,000.00); or

(b) twenty-four percent (24%) per year.

(3) For the purposes of this Section, the term of a sale agreement shall be calculated in terms of calendar months beginning with the date the credit is granted or, if goods are delivered or services performed a week or more after that date, beginning on the date of delivery or performance. Differences in the lengths of months are disregarded. Fractions of a month are treated as a full month if more than fifteen (15) days, and if fifteen (15) days or less, are disregarded. If a sale agreement is for a period greater than or less than year, the charges stated in Paragraph (a) of Subsection (2) shall be calculated proportionally.

(4) A seller may make the same credit service charge on all amounts financed within a specified range. In this case the amount financed for

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the purpose of Subsection (2) is the median amount of the range within which the actual amount financed is included. A charge may be made pursuant to this Subsection only if the same credit service charge is made for all amounts financed within the specified range and if the charge on the median amount financed is no more than eight percent (8%) greater than the charge that would have been made on the actual amount financed pursuant to Subsection (2).

(5) The seller may contract for and receive the minimum credit service charge permitted by this Subsection if the credit service charge calculated pursuant to this Section is less than the minimum credit service charge. The minimum credit service charge is the greater of either Ten Dollars (\$10.00) or an amount, not in excess of Twenty-Five Dollars (\$25.00), which is five percent (5%) of the amount financed.

(6) The amounts of Three Hundred Dollars (\$300.00) and One Thousand Dollars (\$1,000.00) in Subsection (2) and the amounts of Ten Dollars (\$10.00) and Twenty-Five Dollars (\$25.00) in Subsection (5) are subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106).

SOURCE: § 2201: subsection (2)(b) amended by P.L. 16-32.1

§ 2202. Additional Charges.

(1) In addition to the credit service charge permitted by this Article, the parties to the sale agreement may contract for the payment by the buyer of the following additional charges in connection with a consumer credit sale:

(a) official fees;

(b) charges for insurance; and

(c) charges for other benefits conferred on the buyer, if the benefits are of value to him apart from the granting of the credit and the charges are reasonable in relation to the benefits.

(2) The Administrator may adopt rules determining whether charges are additional charges pursuant to paragraph (c) of subsection (1).

§ 2203. Delinquency Charges.

(1) With respect to a consumer credit sale other than a sale pursuant to a revolving charge account, the parties to a sale or refinancing agreement may contract for a delinquency charge on any installment not

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paid in full within 10 days after its scheduled due date in an amount not to exceed the greater of:

(a) Two Dollars (\$2.00) or an amount, not exceeding Five Dollars \$5.00, which is five percent 5% of the unpaid amount of the installment; or

(b) the deferral charge that would be permitted by Subsection (1) of § 2204 to defer the unpaid amount of the installment for the period that it is delinquent. (2) A delinquency charge under paragraph (a) of subsection (1) may be collected only once on an installment however long it remains in default. No delinquency charge maybe collected if the installment has been deferred and a deferral charge has been paid in accordance with § 2204. A delinquency charge may be collected at the time is assessed or at any time thereafter. (3) No delinquency charge may be collected on an installment which is paid in full within 10 days after a scheduled installment due date even though an earlier maturing installment or a delinquency charge on it may not have been paid in full. (4) The amounts of Two Dollars (\$2.00) and Five Dollars (\$5.00) in subsection (1) are subject to change pursuant to provisions on adjustment of dollar amounts (§ 1106).

§ 2204. Deferral Charges.

(1) With respect to a consumer credit sale other than one pursuant to a revolving charge account, the parties may before or after default agree in writing to defer payment of all or part of one or more unpaid installments, and the seller or his transferee may make a charge not in excess of eighteen percent (18%) per year of the amount deferred for the period of deferment (and proportionally for parts of a month, counting each day as one-thirtieth (1/30) of a month). A deferral charge may be collected at the time it is assessed or at any time thereafter. If the deferral charge calculated pursuant to this subsection is less than \$2, a deferral charge of \$2 may nevertheless be made.

(2) The seller or his transferee may, in addition to the deferral charge, make appropriate additional charges listed in § 2202, and the amount of these charges which is not paid in cash may be added to the amount deferred for the purpose of calculating the deferral charge.

(3) The parties may agree in writing at the time of a consumer credit sale or refinancing agreement that if an installment is not paid within ten

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10 days after its due date, the seller or his transferee may unilaterally grant a deferment and make charges as provided in this section. No deferral charge may be made for a period after the date that the seller or his transferee elects to accelerate the maturity of the agreement.

(4) No delinquency charge may be made or retained by the seller or his transferee for the period of deferral of any installment which is deferred pursuant to this section.

(5) The amounts of Two Dollars (\$2.00) in subsection (1) are subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106).

§ 2205. Credit Service Charge: Refinancing.

With respect to a consumer credit sale other than one pursuant to a revolving charge account, the seller or his transferee may by agreement with the buyer refinance the unpaid balance and may contract for and receive a credit service charge based on the amount financed resulting from the refinancing at a rate not in excess of that permitted by the provisions on credit service charge for consumer credit sales (§ 2201). For the purpose of determining the credit service charge permitted, the amount financed resulting from the refinancing comprises the following:

(1) the amount which the buyer would have been required to pay upon prepayment pursuant to the provisions on rebate upon prepayment (§ 2210) on the date of refinancing, except that for the purpose of computing this amount the minimum credit service charge that may be retained pursuant to § 2210(1) shall not be included; and

(2) appropriate additional charges made pursuant to § 2202 but not paid in cash by the buyer.

§ 2206. Same: Consolidation.

(1) This Section applies to a transaction involving a consumer credit sale other than one pursuant to a revolving charge account.

(2) If a buyer has an unpaid balance owing to seller or his transferee with respect to a previous consumer credit sale to a previous Consumer Credit Sale and he enters into a subsequent consumer credit sale with the same seller, the parties may agree to a consolidation resulting in a single schedule of payments pursuant to either Subsections (a) or (b):

(a) The parties may agree to refinance the unpaid balance with

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respect to the previous sale pursuant to the provisions on refinancing § 2205) and to consolidate the amount financed resulting from the refinancing by adding it to the amount financed with respect to the subsequent sale. The seller or his transferee may contract for and receive a credit service charge based on the aggregate amount financed resulting from the consolidation at a rate not in excess of that permitted by the provisions on credit service charge for consumer credit sales § 2201);

(b) The parties may agree to consolidate by adding together the unpaid balances with respect to the two sales.

§ 2207. Same: Revolving Charge Accounts.

(1) With respect to a consumer credit sale made pursuant to a revolving charge account, the parties to the sale may contract for the payment by the buyer of a credit service charge not in excess of that permitted in this section.

(2) A charge may be made in each billing cycle which is a percentage of an amount no greater than:

(a) the average daily balance of the account;

(b) the unpaid balance of the account on approximately the same day of the billing cycle; or

(c) the median amount within a specified range within which the average daily balance or the unpaid balance of the account, approximately the same day of the billing cycle, is included. A charge may be made pursuant to this paragraph only if the same percentage is applied to all balances within the specified range and if the charge calculated on the median amount pursuant to this paragraph is no more than eight percent 8% greater than the charge that would have been calculated on the actual daily average balance on unpaid balances pursuant to paragraph (a) or (b).

(3) If the billing cycle is monthly, the charge may not exceed two percent 2% of that part of the amount pursuant to subsection (2) which is Five Hundred (\$500.00) or less and one and one-half percent 1½% on that part of this amount which is more than Five Hundred Dollars (\$500.00). If the billing cycle is not monthly, the maximum charge is that percentage which bears the same relation to the applicable monthly percentage as the number of days in the billing cycle bears to thirty (30).

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For the purposes of this section, a variation of not more than four (4) days from month to month is approximately the same day of the billing cycle.

(4) If there is an unpaid balance on the date as of which the credit service charge is applied and the credit service charge pursuant to this section is less than the minimum charge, a minimum charge not exceeding seventy cents (\$0.70) may be made if the billing cycle is monthly, or, if the billing cycle is not monthly, a minimum charge which bears the same relation to seventy cents (\$0.70) as the number of days in the billing cycle bears to thirty (30) may be made.

(5) The amounts of Seventy Cents (\$0.70) in subsection (4) are subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106).

§ 2208. Advances to perform Covenants of Buyer.

(1) If the agreement with respect to a consumer credit sale or a refinancing contains covenants by the buyer to perform certain duties pertaining to insuring or preserving collateral and if the seller or his transferee pursuant to the agreement pays for performance of the duties on behalf of the buyer he may add the amounts paid to the debt. Within a reasonable time after advancing any sums, he shall state to the buyer the amount of the sums advanced, any charges with respect to this amount, and the revised payment schedule. No further information need be given.

(2) A credit service charge may be made for sums advanced pursuant to subsection (1) at a rate not in excess of the rate of return yielded by the credit service charge under the sale or refinancing agreement, except that with respect to a revolving charge account the amount of the advance may be added to the unpaid balance of the account and the seller may make a credit service charge not in excess of that permitted by the provisions on credit service charge for revolving charge accounts (§ 2207).

§ 2209. Right to Prepay.

The buyer may prepay in full the unpaid balance of a consumer credit sale of goods or services at any time without penalty.

§ 2210. Rebate Upon Prepayment.

(1) Upon prepayment in full of the unpaid balance of a precomputed consumer credit sale or a refinancing or consolidation thereof, the

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unearned portion of the credit service charge shall be rebated to the buyer. If the earned portion of the credit service charge is an amount less than the amount of the minimum credit service charge (§ 2201(6)), the seller or transferee may retain an amount equal to the minimum credit service charge. If the required rebate is less than \$1.00, no rebate need be made.

(2) The unearned credit service charge is a fraction of the credit service charge of which the numerator is the sum of the periodic balances scheduled to follow the computational period in which repayment occurs, and the denominator is the sum of all periodic balances under either the sale agreement or, if the balance owing resulted from a refinancing agreement (§ 2205) or a consolidation agreement (§ 2206), under the refinancing agreement or consolidation agreement.

(3) In this section:

(a) periodic balance means the amount scheduled to be outstanding on the last day of a computational period before deducting the payment, if any, scheduled to be made on that day;

(b) computational period means one (1) month if one-half (1/2) or more of the intervals between scheduled payments under the agreement is one month or more and shall otherwise mean one (1) week, except that the total interval prior to the due date of the first scheduled instalment shall always be considered one computational period.

(4) (a) If the computational period is one (1) month: (i) and the number of days between the date of sale, refinancing or consolidation (or any later date established under § 2201(3)) and the due date of the first scheduled installment is less than 25 days or more than 35 days but not more than 45 days, the unearned credit service charge shall be increased by an adjustment for each day by which the interval is less than 30 days and, at the option of the seller or his transferee, may be reduced by an adjustment for each day by which the interval is more than 30 days; the adjustment for each day shall be one-thirtieth (1/30th) of that part of the credit service charge earned in the computational period prior to the due date of the first scheduled installment assuming that period to be one month; (ii) and the interval between the date of the sale, refinancing or consolidation and the final scheduled payment date is a number of

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full months plus an additional number of days less than a full month, the additional number of days shall be considered a computational period only if 16 days or more.

(b) If the computational period is one (1) week: (i) and the number of days between the date of sale, refinancing or consolidation (or any later date established under Subsection (3) § 2201) and the due date of the first scheduled installment is less than five (5) days or more than nine (9) days but not more than eleven (11) days, the unearned credit service charge shall be increased by an adjustment for each day by which the interval is less than seven (7) days and, at the option of the seller or his transferee, may be reduced by an adjustment for each day by which the interval is more than seven (7) days; the adjustment for each day shall be one-seventh (1/7th) of that part of the credit service charge earned in the computational period prior to the due date of the first scheduled installment assuming that period to be one (1) month; (ii) and the interval between the date of the sale, refinancing or consolidation and the final scheduled payment date is a number of full weeks plus an additional number of days less than a full week, the additional number of days shall be considered a computational period only if four (4) days or more.

(5) If a deferral has been agreed to pursuant to § 2204, the unearned credit service charge shall be computed without regard to the deferment. The amount of deferment charge earned at the date of prepayment shall be calculated. If the deferment charge earned is less than the deferment charge paid, the difference shall be added to the amount of the unearned credit service charge. If any part of a deferment charge has been earned but has not been paid, that part shall be subtracted from any rebate of credit service charge otherwise due, or shall be added to the unpaid balance.

(6) This Section does not preclude the collection or retention by the seller or his transferee of delinquency charges made as authorized by § 2203.

(7) If the maturity is accelerated for any reason and judgment is obtained, the buyer is entitled to the same rebate as though payment were made on the date judgment is entered.

(8) If the buyer dies before the maturity of the agreement and the

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unpaid balance is paid by the proceeds of credit insurance on the life of the buyer, the estate of the buyer is entitled to the same rebate as though the buyer had prepaid the agreement on the date the proceeds of the credit insurance are paid to the creditor, but no later than ten (10) days after proof of death is furnished to the creditor.

§ 2211. Filed Rates Excluded.

This Article does not apply to sales with respect to which rates of credit service charge, however denominated, are filed with and subject to approval or disapproval by an instrumentality or agency of this Territory or of the United States.

ARTICLE 3
DISCLOSURE

[Repealed by P.L. 16-73.]

ARTICLE 4
LIMITATIONS ON AGREEMENTS AND PRACTICES

- § 2401. Exclusions.
- § 2402. Use of Multiple Agreements to Obtain Higher Rate.
- § 2403. Negotiable Promissory Notes Prohibited.
- § 2404. Transferee Not Subject to Defenses Against Seller if
Proper Notice of Transfer Given to Buyer.
- § 2405. Balloon Payments.
- § 2406. Restriction on Liability in Consumer Lease.
- § 2407. Restrictions on Security in Sales or Leases.
- § 2408. Cross-Collateral.
- § 2409. Debt Secured by Cross-Collateral.
- § 2410. No Assignment of Earnings.
- § 2411. Referral Sales.
- § 2412. Notice of Transfer.
- § 2413. Attorneys' Fees.
- § 2414. Limitation on Default Charges.

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§ 2415. Confession of Judgment.

§ 2401. Exclusions.

(1) This Article does not apply:

(a) to sales in which the amount financed is Twenty-Five Thousand Dollars (\$25,000.00) or more or to leases in which the amount payable under the lease is Twenty-Five Thousand Dollars (\$25,000.00) or more; or

(b) To sales of an interest in land.

(2) The amount of Twenty-Five Thousand Dollars (\$25,000.00) in Subsection (1) are subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106).

§ 2402. Use of Multiple Agreements to Obtain Higher Rate.

No seller may divide a consumer credit sale with the intent of obtaining a higher rate of credit service charge than would otherwise be permitted by this Chapter. The excess amount of credit service charge provided for in agreements in violation of this section are excess charges for the purposes of the provisions on the effect of violations on rights of parties (§ 5201) and the provisions on civil actions by Administrator (§ 6113).

§ 2403. Negotiable Promissory Notes Prohibited.

In a consumer credit sale or consumer lease other than a sale or lease primarily for an agricultural purpose, the seller or lessor may not take a negotiable promissory note payable in installments as evidence of the obligation of the buyer or lessee. A promissory note negotiable in form issued in violation of this section may be enforced as a negotiable instrument by a holder in due course according to its terms. The holder in due course is not subject to the liabilities set forth in the provisions on the effect of violations on the rights of parties (§ 5201) and the provisions on civil actions by Administrator (§ 6113).

§ 2404. Transferee Not Subject to Defenses Against Seller if Proper Notice Of Transfer Given to Buyer.

(1) With respect to a consumer credit sale or lease, other than a sale or lease primarily for an agricultural purpose, an agreement by the buyer or lessee not to assert against a transferee a claim or defense arising out of the sale or lease is enforceable only by a transferee not related to the

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seller or lessor who acquires the buyer's or lessee's contract in good faith and for value, who gives the buyer or lessee notice of the transfer as provided in this section and who, within six months after the mailing of the notice of transfer, receives no written notice of the facts giving rise to the buyer's or lessee's claim or defense. The notice of transfer shall be in writing and addressed to the buyer or lessee at his address as stated in the contract, identify the contract, describe the goods or services, state the name and address of the transferee, the amount payable by the buyer or lessee and the number, amounts and due dates of the installments, and contain a conspicuous notice to the buyer or lessee that he has six months within which to notify the transferee in writing of any complaints, claims or defenses he may have against the seller or lessor and that if written notification of the complaints, claims or defenses is not given within the six-month period, the transferee will have the right to enforce the contract free of any claims or defenses the buyer or lessee may have against the seller or lessor.

(2) A transferee does not acquire a buyer's or lessee's contract in good faith within the meaning of subsection (1) if the transferee has knowledge or, from his course of dealing with the seller or lessor or his records, notice of substantial complaints by other buyers or lessees of the seller's or lessor's failure or refusal to perform his contracts with them and of the seller's or lessor's failure to remedy his defaults within a reasonable time after the transferee notifies him of the complaints.

§ 2405. Balloon Payments.

With respect to a consumer credit sale, other than one primarily for an agricultural purpose or one pursuant to a revolving charge account, if any payment, other than the first, is more than twice as large as the average of the other payments, the buyer has the right to refinance the amount of that payment at the time it is due without penalty or other charge. The terms of the refinancing shall be no less favorable to the buyer than the terms of the original sale. This limitation does not apply to the extent that the schedule of payments is adjusted to the seasonal or irregular income of the buyer.

§ 2406. Restriction on Liability in Consumer Lease.

A consumer lease, other than one primarily for an agricultural purpose, may not provide that a lessee who has otherwise performed his obligations under the lease shall be liable for an amount upon

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termination of the lease in excess of twice the average periodic payment under the lease. An agreement in violation of this subsection is void.

§ 2407. Restriction on Security in Sales or Leases.

(1) With respect to a consumer credit sale, a seller may take a security interest in the goods sold, in goods installed in or affixed to the goods sold, and in property to which the goods are affixed. The seller may also take a security interest in property of the buyer to secure the debt arising from a consumer credit sale primarily for an agricultural purpose. Except as provided with respect to cross-collateral (§ 2408), a seller may not otherwise take a security interest in property of the buyer to secure the debt arising from a consumer credit sale unless the sale involves maintenance, repair or improvement of the buyer's property. In this case a seller may take a security interest in the property affected, if in the case of a security interest in real property the debt secured is Five Hundred Dollars (\$500.00), or more, or, in the case of a security interest in personal property the debt secured is One Hundred Fifty Dollars (\$150.00) or more.

(2) With respect to a consumer lease, a lessor may not take a security interest in property of the lessee to secure the debt arising from the lease.

(3) A security interest taken in violation of this section is void.

(4) The amounts of Five Hundred Dollars (\$500.00) and One Hundred Fifty Dollars (\$150.00) in subsection (1) are subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106).

§ 2408. Cross-Collateral.

(1) In addition to contracting for a security interest in the goods sold, a seller of goods in a consumer credit sale may secure the debt arising from the sale by:

(a) contracting for a security interest in goods previously sold to the buyer by the seller if there is an existing security interest in the goods held either by the seller or his transferee; and

(b) contracting at the time of a subsequent sale to the buyer for a security interest in the goods sold in the subsequent sale as security for the previous debt.

(2) The security interest described in subsections (a) and (b) ceases

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when the debt arising from the original sale of the collateral to the debtor has been paid.

§ 2409. Debt Secured by Cross-Collateral.

(1) Except as provided in subsections (2) and (3), if debts arising from two or more consumer credit sales, other than sales primarily for an agricultural purpose, are consolidated into one debt payable on a single schedule of payments, and the consolidated debt is secured by security interests in goods sold in one or more of the sales, payments received by the seller or his transferee after consolidation are deemed, for the purpose of determining the amount of the debt secured by the various security interests, to have been first applied to the payment of debts arising from the sales first made.

(2) If goods sold are affixed to or installed in goods previously sold, and the debts arising from each sale are consolidated, the debts from each sale are treated as a single debt arising at the time of the subsequent sale.

(3) If the debts consolidated arose from two (2) or more sales made on the same day, payments received by the seller or his transferee after consolidation are deemed, for the purpose of determining the amount of the debt secured by the various security interests, to have been first applied to the payment of the smallest or smaller of the debts.

§ 2410. No Assignment of Earnings.

A seller or lessor may not take an assignment or earnings of the buyer or lessee as security for payment of a debt arising out of a consumer credit sale or a consumer lease. If goods or services are given as consideration for a sale of unpaid earnings, the transaction is deemed to be a credit sale of the goods or services secured by an assignment of earnings. An assignment of earnings in violation of this section is void.

§ 2411. Referral Sales.

With respect to a consumer credit sale or consumer lease the seller or lessor may not give or offer to give a rebate or discount or otherwise pay or offer to give a rebate or discount or otherwise pay or offer to pay value to the buyer or lessee in consideration of his giving to the seller or lessor the names of prospective purchasers or lessees, or otherwise aiding the seller or lessor in making a sale or lease to another person, if the earning of the rebate, discount or other value is contingent upon the

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occurrence of an event subsequent to the time the buyer or lessee agrees to buy or lease.

§ 2412. Notice of Transfer.

The buyer or lessee is authorized to pay the seller or lessor until the buyer or lessee receives notification of transfer of the rights to payment pursuant to a consumer credit sale or consumer lease and that payment is to be made to the transferee. A notification which does not reasonably identify the rights transferred is ineffective. If requested by the buyer or lessee, the transferee must seasonably furnish reasonable proof that the transfer has been made and unless he does so the buyer or lessee may pay the seller or lessor.

§ 2413. Attorneys' Fees.

With respect to a consumer credit sale or consumer lease the agreement may provide for the recovery from the buyer or lessee of reasonable attorneys' fees not in excess of fifteen percent 15% of the unpaid debt at the time suit is brought, if paid or payable to an attorney not a salaried employee of the seller or lessor or his transferee. An agreement in violation of this Section is void.

§ 2414. Limitation on Default Charges.

Except for reasonable expenses incurred in realizing on a security interest, the agreement with respect to a consumer credit sale may not provide for any charges as a result of default by the buyer other than those authorized by this Act. An agreement in violation of this Section is void.

§ 2415. Confession of Judgment.

A buyer or lessee may not give a power of attorney to any person to confess judgment on a claim arising out of a consumer credit sale or consumer lease. A power of attorney given in violation of this Section is void.

**ARTICLE 5
HOME SOLICITATION SALES**

[Repealed by P.L. 16-73.]

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ARTICLE 6
SALES OTHER THAN CONSUMER CREDIT SALES

- § 2601. Sales Subject to Act by Agreement of Parties.
- § 2602. Service Charge for Certain Sales to Individuals.
- § 2603. Applicability of Other Provisions.
- § 2604. Limitation on Default Charges.
- § 2605. Credit Service Charge for Other Sales.

§ 2601. Sales Subject to Act by Agreement of Parties.

The parties to a sale other than a consumer credit sale may agree in a writing signed by the parties that the sale is subject to the provisions of this Act applying to consumer credit sales. If the parties so agree the sale is a consumer credit sale for the purposes of this Act.

§ 2602. Service Charge for Certain Sales to Individuals.

(1) With respect to a sale other than a consumer credit sale, the parties may contract for the payment by the buyer of a credit service charge not in excess of that permitted by this Section if: (a) the credit is granted by a seller who regularly engages in credit transactions as a seller;

(b) the amount financed is Twenty-Five Thousand Dollars (\$25,000.00), or less; and

(c) the buyer is either (i) a person other than an organization or (ii) an organization if the debt is secured primarily by a security interest in a one (1) or two (2) family dwelling occupied by a person related to the organization.

(2) With respect to a sale other than one pursuant to a revolving charge account, the parties may contract for the payment by the buyer of an amount comprising the amount financed and a credit service charge not in excess of twenty-four percent (24%) per year calculated on the unpaid balances of the amount financed according to the United States rule.

(3) With respect to a sale pursuant to a revolving charge account the parties may contract for the payment of a credit service charge not in

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excess of that permitted by § 2207.

(4) The amount of Twenty-Five Thousand Dollars (\$25,000.00) in Subsection (1) is subject to change pursuant to the provisions on adjustment of dollar amounts (§ 1106). [Subsection (2) amended by P.L. 16-32.]

§ 2603. Applicability of Other Provisions.

Except for the rate of the credit service charge, the provisions of Article 2 of this Chapter apply to a sale for which credit service charge ceilings are set by § 2602 (certain sales to individuals).

§ 2604. Limitation on Default Charges.

The agreement with respect to a sale for which credit service charge ceilings are set by § 2602 (certain sales to individuals) may not provide for any charges as a result of default by the buyer except for reasonable attorneys' fees and reasonable expenses incurred in realizing on a security interest, and charges that could have been made had the sale been a consumer credit sale. An agreement in violation of this Section is void.

§ 2605. Credit Service Charge for Other Sales.

With respect to a sale other than a consumer credit sale or a sale described in Subsection (1) of § 2602 (certain sales to individuals), the parties may contract for the payment by the buyer of credit service charge agreed to in writing.
