

12-505.

(A)-(1)--IN--THIS--SECTION--THE--FOLLOWING--WORDS--HAVE--THE MEANINGS--INDICATED:

(2)--"ACTUARIAL-METHOD"--MEANS--THE-METHOD-OF-ALLOCATING PAYMENTS-MADE-ON-A-LOAN-BETWEEN-THE-OUTSTANDING-PRINCIPAL-BALANCE OF-THE-LOAN-AND-INTEREST,--BY-WHICH-A-PAYMENT-IS-APPLIED-FIRST--TO THE--ACCUMULATED--INTEREST,--AND-THE-REMAINDER-IS-SUBTRACTED-FROM THE-OUTSTANDING-PRINCIPAL-BALANCE-OF-THE-LOAN.

(3)--"PRECOMPUTED-INTEREST-CHARGE"--MEANS--INTEREST--AS COMPUTED-BY-ADD-ON,--DISCOUNT,--OR-OTHER-SIMILAR-METHOD.

--(a)--(B) In a closed end account, the finance charge may not exceed the greater of:

(1) An amount computed using the following annual simple interest rates of finance charge:

(i) 22 percent on that part of the outstanding balance not exceeding \$1,000; and

(ii) 18 percent on that part of the outstanding balance exceeding \$1,000; or

(2) A minimum charge of \$10 or, if the due date of the last installment is eight months or less after the effective date of the retail credit account agreement, \$8.

(3) Notwithstanding the provisions of paragraph (1) of this subsection, in a closed end account made on or after July 1, 1982, the finance charge may not exceed 24 percent per annum simple interest.

--(b)--(1) In a closed end account, the finance charge may be computed:

(i) On the actual unpaid principal outstanding from time to time; or

(ii) In advance, at the time the purchase is made, by adding to the original unpaid balance the amount of finance charge that would be earned if the account were repaid exactly according to its terms at the rate stated in subsection (a) of this section.

(2) Nothing in this section shall be construed to prohibit any particular method of computing the finance charge on a closed end account so long as the amount of the finance charge does not result in a rate of charge in excess of that permitted by subsection (a) of this section.