

CHAPTER 238

(Senate Bill 270)

AN ACT concerning

Commercial Law – Variation of Periodic Interest Rate – Formula

FOR the purpose of expanding the circumstances under which a periodic rate of interest or finance charge may vary to include a formula; ~~and~~ providing that an index or formula determining a periodic rate of interest or finance charge may be within the control of the borrower; providing for a lower interest for certain consumer borrowers under a formula under certain circumstances; limiting the circumstances under which a certain rate of interest or the amount of a certain finance charge may be raised; and generally relating to the circumstances under which a periodic rate of interest or finance charge may vary.

BY repealing and reenacting, with amendments,

Article – Commercial Law

Section 12-904

Annotated Code of Maryland

(1990 Replacement Volume and 1991 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Commercial Law

12-904.

(a) If the agreement governing the revolving credit plan so provides, the periodic percentage rate of interest or finance charges under the plan may vary in accordance with an index OR FORMULA that [is]:

- (1) IS made readily available to and verifiable by the borrower [and is];
- (2) IS beyond the control of the credit grantor; AND
- (3) MAY BE WITHIN THE CONTROL OF THE BORROWER.

(b) The periodic percentage rate, as varied, may be made applicable to all outstanding unpaid indebtedness on or after the effective date of the variation, including any indebtedness arising out of purchases made or loans obtained prior to the variation.

(c) The periodic percentage rate, as varied, may not exceed the maximum rate permitted pursuant to § 12-903(a)(1) of this subtitle.

(D) IF A FORMULA USED UNDER SUBSECTION (A)(3) OF THIS SECTION MEASURES CREDIT RISK, THE PERIODIC PERCENTAGE RATE OF INTEREST OR FINANCE CHARGES ~~MUST~~;