

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 565

Commerce Committee Substitute Adopted 4/30/97

House Committee Substitute Favorable 7/24/97

Short Title: Variable Rate Loans.

(Public)

Sponsors:

Referred to:

April 1, 1997

A BILL TO BE ENTITLED

1 AN ACT TO CLARIFY THE APPLICATION OF THE COMMISSIONER OF BANKS'
2 RATE TO VARIABLE RATE LOANS WITH ADJUSTMENT PERIODS
3 GREATER THAN ONE MONTH, TO REPEAL THE LAWS GOVERNING
4 VARIABLE RATE LOANS OF MANUFACTURED HOMES AND
5 INSTALLMENT RATES AND FEES, AND TO ESTABLISH FINANCE CHARGE
6 RATES FOR CONSUMER CREDIT INSTALLMENT SALES CONTRACTS FOR
7 WATERCRAFTS.
8

9 The General Assembly of North Carolina enacts:

10 Section 1. G.S. 24-1.1(c) reads as rewritten:

11 "(c) On the fifteenth day of each month, the Commissioner of Banks shall
12 announce and publish the maximum rate of interest permitted by subdivision (1) of
13 subsection (a) of this section on that date. Such rate shall be the latest published
14 noncompetitive rate for U.S. Treasury bills with a six-month maturity as of the fifteenth
15 day of the month plus six percent (6%), rounded upward or downward, as the case may
16 be, to the nearest one-half of one percent (1/2 of 1%) or sixteen percent (16%), whichever
17 is greater. If there is no nearest one-half of one percent (1/2 of 1%), the Commissioner
18 shall round downward to the lower one-half of one percent (1/2 of 1%). The rate so

1 announced shall be the maximum rate permitted for the term of loans made under this
2 section during the following calendar month when the parties to such loans have agreed
3 that the rate of interest to be charged by the lender and paid by the borrower shall not
4 vary or be adjusted during the term of the loan. The parties to a loan made under this
5 section may agree to a rate of interest which shall vary or be adjusted during the term of
6 the loan in which case the maximum rate of interest permitted on such loans during a
7 month during the term of the loan shall be the greater of the rate announced by the
8 Commissioner in (i) the preceding calendar month or (ii) the calendar month
9 preceding that in which the rate is varied or adjusted."

10 Section 2. G.S. 24-1.1C and G.S. 24-1.2 are repealed.

11 Section 2.1. G.S. 24-1.2A reads as rewritten:

12 **"§ 24-1.2A. Equity lines of credit.**

13 (a) Notwithstanding any other provision of this Chapter, the parties to an equity
14 line of credit, as defined in G.S. 45-81, may contract in writing for interest at rates which
15 shall not exceed the maximum rates permitted under ~~G.S. 24-1.2(2a);~~ G.S. 24-1.1(c);
16 provided, however, that the parties may contract for interest rates which shall be
17 adjustable or variable, so long as for adjustable or variable rate contracts the rate in effect
18 for a given period does not exceed the maximum rate permitted under ~~G.S. 24-1.2(2a)~~ G.S.
19 24-1.1(c) for the same period.

20 (b) Fees may be charged on equity lines of credit which in the aggregate, over the
21 life of the contract based on the maximum limit of the line of credit, do not exceed those
22 permitted under G.S. 24-10. Any lender may charge a party to a loan or extension of
23 credit governed by this section a fee for the modification, renewal, extension, or
24 amendment of any terms of the loan or extension of credit, such fee not to exceed the
25 greater of one-quarter of one percent (1/4 of 1%) of the balance outstanding at the time of
26 the modification, renewal, extension, or amendment of terms, or fifty dollars (\$50.00)."

27 Section 3. G.S. 25A-15(c) reads as rewritten:

28 "(c) A finance charge rate not to exceed the higher of the rate established in
29 subsection (b) or the rate set forth below may be imposed in a consumer credit
30 installment sale contract repayable in not less than six installments for a self-propelled
31 motor ~~vehicle;~~ vehicle or a watercraft as defined in G.S. 75A-33(2):

- 32 (1) Eighteen percent (18%) per annum for vehicles or watercraft one and
33 two model years old;
- 34 (2) Twenty percent (20%) per annum for vehicles or watercraft three model
35 years old;
- 36 (3) Twenty-two percent (22%) per annum for vehicles or watercraft four
37 model years old; and
- 38 (4) Twenty-nine percent (29%) per annum for vehicles or watercraft five
39 model years old and older.

40 A motor vehicle or watercraft is one model year old on January 1 of the year following
41 the designated year model of the vehicle."

1 Section 4. This act becomes effective October 1, 1997, and applies to loans
2 made on or after that date, and Section 1 of this act applies to variations or adjustments in
3 rates occurring on or after that date regardless of the date on which the loan was made.