

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

House Committee Substitute #2 Favorable 8/13/97

Short Title: Variable Rate Loans.

(Public)

Sponsors:

Referred to:

April 1, 1997

A BILL TO BE ENTITLED

AN ACT TO CLARIFY THE APPLICATION OF THE COMMISSIONER OF BANKS' RATE TO VARIABLE RATE LOANS WITH ADJUSTMENT PERIODS GREATER THAN ONE MONTH, TO REPEAL THE LAWS GOVERNING VARIABLE RATE LOANS OF MANUFACTURED HOMES AND INSTALLMENT RATES AND FEES, TO ESTABLISH FINANCE CHARGE RATES FOR CONSUMER CREDIT INSTALLMENT SALES CONTRACTS FOR WATERCRAFTS, AND TO AMEND THE NORTH CAROLINA FINANCIAL PRIVACY ACT TO PERMIT THE DISCLOSURE OF THE NAME, ADDRESS, AND EXISTENCE OF AN ACCOUNT OF ANY CUSTOMER.

The General Assembly of North Carolina enacts:

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

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

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

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 G.S. 24-1.1C and G.S. 24-1.2 are repealed.

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

11 **"§ 24-1.2A. Equity lines of credit.**

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

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

42 Section 4. G.S. 53B-8 reads as rewritten:

43 **"§ 53B-8. Disclosure of financial records.**

1 No financial institution or its officer, employee, or agent may disclose a customer's
2 financial record to a government authority except as provided in this Chapter. This
3 section does not prohibit a financial institution from giving notice of or disclosing a
4 financial record to a government authority, as defined in G.S. 53B-2(4), to the same
5 extent as is authorized with respect to federal government authorities in the Right to
6 Financial Privacy Act § 1103(d), 12 U.S.C. § 3403(d). Nothing in this ~~Chapter~~ section
7 shall prohibit a financial institution or its officer, employee or agent from disclosing, or
8 require the disclosure of, the name, address, and existence of an account of any
9 customer to a government authority that makes a written request stating the reason for
10 the request. Nothing in this Chapter shall prohibit a financial institution or its officer,
11 employee, or agent from notifying a government authority that the financial institution
12 or its officer, employee, or agent has information that may be relevant to a possible
13 violation of law or regulation. The information shall be limited to a description of the
14 suspected illegal activity and the name or other identifying information concerning any
15 individual, corporation, or account involved in the activity. Any financial institution or
16 its officer, employee, or agent making a disclosure of information pursuant to this
17 section shall not be liable to the customer under the laws and rules of the State of North
18 Carolina or any political subdivision of the State for disclosure or for failure to notify
19 the customer of the disclosure."

20 Section 5. This act becomes effective October 1, 1997. Section 3 of this act
21 applies to loans made on or after that date, and Section 1 of this act applies to variations
22 or adjustments in rates occurring on or after that date regardless of the date on which the
23 loan was made.