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DEPARTMENT OF BUSINESS REGULATION
BUREAU OF CONSUMER PROTECTION
STATE HOUSE STATION 35
AUGUSTA, MAINE 04333

ADVISORY RULING #53
MARCH 27, 1981

March 27, 1981

Dear

        You have asked if Section 3-204 of the Consumer Credit Code concerning changing the terms of an open-end credit account applies to a reduction in the maximum repayment period from 24 months to 18 months and a corresponding increase in the minimum monthly payment from $10 to $20.

        Section 3-204, subsection 2, requires three billing cycle notices for any change of terms relating to "penalties, interest or other charges." If a change fits this category, outstanding balances cannot be effected unless certain conditions are met. Subsection 3 provides that the notices of subsection 2 are not required if "The change involves no significant cost to the consumer."

        A reduction in the repayment period accompanied by an increase in the minimum monthly payment will reduce the cost of credit (finance charge) even though temporary monthly payments are increased. This type of change is not a "penalty, interest or other charges." In addition, the remedy for violation of Section 3-204 (any additional cost or charge is an excess charge) would not be applicable to the type of change proposed here.

        However, I interpret Regulation Z of Truth in Lending to apply. Section 226.7(f) requires a 15-day notice of certain changes and Official Staff Interpretation FC-0065 states: "It is staff's position that the 'term' referred to in Section 226.7(f) are those terms <u>required</u> to be disclosed in open-end accounts pursuant to §226.7(a)." (emphasis in original). Since the minimum periodic payment is required to be disclosed in §226.7(a)(8), the minimum notice period §226.7(f) is triggered.

        I hope this responds to your request.

Sincerely,

/s/ Barbara R. Alexander

Barbara R. Alexander
Superintendent

BA:as