

Re: §2.510 - Rebate Procedures

We have received several inquiries relative to the impact of the amendments to Section 2.510 effective July 1, 1976. Of particular concern has been the question of which transactions will be subject to the actuarial method.

Effective July 1, 1976 any consumer credit transaction entered into on or after January 1, 1975 and payable according to its original terms in more than 48 installments must rebate according to the actuarial method.* The July 1, 1976 date was the result of a compromise reached before the enactment of this legislation to allow postponement of the effective date to permit lenders to program their rebates accordingly, as of that date.

In all precomputed credit transactions after July 1, 1976, where a deferral other than a standard deferral is used, the actuarial method as set forth in Section 2.510 is applicable notwithstanding the fact that the transaction may have been entered into prior to January 1, 1975.

It should also be remembered that the actuarial method must be utilized in all transactions involving refinancing and consolidations of transactions made after July 1, 1976 where the agreement, whenever made, was made payable according to its original terms in more than 48 installments. See Section 14 of Chapter 762 of the Public Laws of 1973.

/s/ John E. Quinn
Superintendent
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* AR #88 Amendment

The scope of this Advisory Ruling has been modified by subsequent legislation. Specifically, the AR describes an earlier version of §2-510 which required use of the actuarial method in calculating rebates when prepayment occurred in any precomputed consumer credit transaction that had a repayment schedule of more than 48 installments. That language, which was added by P.L. 1975, c. 433, §1, was later repealed by P.L. 1979, c. 661, §2. An emergency clause in chapter 661, made §§ 2 and 3 effective on January 1, 1982, and only with respect to transactions entered into after that date.

7/14/86