



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING
HARRISBURG, PENNSYLVANIA 17101-2290

BEN McENTEER
SECRETARY OF BANKING

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TO PERSONS LICENSED UNDER PROVISIONS
OF THE MOTOR VEHICLE SALES FINANCE ACT

Governor Dick Thornburgh signed into law Act No. 1982-160 on June 18, 1982, amending certain provisions of the Motor Vehicle Sales Finance Act.

The maximum permissible finance charge on Class I motor vehicles is now 18% simple interest per year on the unpaid balance. Class I motor vehicles are new motor vehicles, except those having a cash price of ten thousand dollars (\$10,000) or more and used primarily for commercial purposes and except mobile homes and except new trucks or truck tractors having a manufacturer's gross vehicular weight of fifteen thousand (15,000) pounds or more and new semitrailers or trailers designed for use in combination with truck tractors.

The maximum permissible finance charge on used motor vehicles two years old or less (Class II) is now 18% simple interest per year on the unpaid balance.

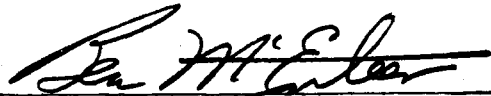
The maximum permissible finance charge on used motor vehicles over two years old (Class III) is now 21% simple interest per year on the unpaid balance.

Rates for other classes of vehicles remain as before

The Department of Banking will not take exception to the method utilized in computing the finance charge on affected classes of installment sales contracts so long as the amount charged does not exceed the lawfully permitted rate. This maximum rate may not be exceeded even in those cases where a loan may be paid off prior to maturity. If an add-on equivalency of the simple interest per year rate is used, it will be necessary in the event of prepayment to use an actuarial method of calculation as a means of checking the yield so as to insure that it has not exceeded the applicable annual percentage rate. The Department will not object to the use of an actuarial method based on time units as described in Appendix J of Regulation Z.

In addition, a new Section 21.1 was added to the act to read as follows:

Section 21.1. A seller or holder may not accelerate the maturity of [an] installment sales contract, commence any legal action or repossess without legal process unless the buyer is in default and unless the seller or holder shall provide the buyer with notice, sent by certified mail, to the buyer's last known address or delivered personally to the residence of the buyer, informing the buyer (1) of his right to cure the default upon payment of the amount in default plus delinquency or deferral charges within twenty-one (21) days of the date of receipt of such notice, (2) the name, address and telephone number of the seller or holder, (3) the total amount due, including amount of delinquency charges, (4) the exact date by which the amount due must be paid, (5) the name, address and telephone number of the person to whom payment must be made, and (6) other performance necessary to cure a default arising from other than nonpayment herein and the buyer is given the rights so specified. The seller or holder shall not be required to provide such notice more than once in any twelve (12) month period. The act of curing a default restores to the buyer his rights under the installment sales contract as though no default had occurred.



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