

17:16C-62 et al

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:16C-62 et al. (Home repair financing contracts--estimate maximum credit service charge)

LAWS 1980 CHAPTER 174

Bill No. S1018

Sponsor(s) Graves

Date Introduced Feb. 11, 1980

Committee: Assembly Commerce, Industry and Professions

Senate Labor, Industry and Professions

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks

Date of Passage: Assembly Sept. 29, 1980

Senate June 9, 1980

Date of approval Dec. 29, 1980

Following statements are attached if available:

Sponsor statement	Yes	<del>No</del> (Below)
Committee Statement: Assembly	Yes	<del>No</del>
Senate	Yes	<del>No</del> 2-25-80 + 5-15-80
Fiscal Note	<del>Yes</del>	No
Veto Message	<del>Yes</del>	No
Message on signing	<del>Yes</del>	No

Following were printed:

Reports	<del>Yes</del>	No
Hearings	<del>Yes</del>	No

Sponsor's statement:

This bill would impose a uniform maximum credit service charge on all home repair financing contracts, regardless of maturity dates.

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12-29-80<sup>80</sup>

[SECOND OFFICIAL COPY REPRINT]

SENATE, No. 1018

**STATE OF NEW JERSEY**

INTRODUCED FEBRUARY 11, 1980

By Senator GRAVES

Referred to Committee on Labor, Industry and Professions

AN ACT to amend the "Home Repair Financing Act," approved  
June 9, 1960 (P. L. 1960, c. 41).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 \*1. Section 1 of P. L. 1960, c. 41 (C. 17:16C-62) is amended to  
2 read as follows:

3 1. Unless the context otherwise indicates,

4 (a) "Goods" means all chattels personal which are furnished or  
5 used in the modernization, rehabilitation, repair, alteration or im-  
6 provement of real property except those furnished or used for a  
7 commercial or business purpose or for resale, and except stoves,  
8 freezers, refrigerators, air conditioners other than those connected  
9 with a central heating system, hot water heaters and other appli-  
10 ances furnished for use in a home and designed to be removable  
11 therefrom without material injury to the structure, and except  
12 chattels personal under a contract in which the cash price is \$300.00  
13 or less and which is subject to the Retail Installment Sales Act  
14 of 1960;

15 (b) "Services" means labor, equipment and facilities furnished  
16 or used in connection with the installation or application of goods  
17 in the modernization, rehabilitation, repair, alteration or improve-  
18 ment of real property;

19 (c) "Home repair contract" means an agreement, whether con-  
20 tained in one or more documents, between a home repair contractor  
21 and an owner to pay the times sales price of goods or services in  
22 installments over a period of time greater than 90 days;

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

23 (d) "Home repair contractor" means any person engaged in  
24 the business of selling goods or services pursuant to a home repair  
25 contract;

26 (e) "Commissioner" means the Commissioner of Banking [and  
27 Insurance] of New Jersey and includes any deputies or employees  
28 of the department designated by him to administer and enforce this  
29 act;

30 (f) "Official fees" means the fees to be paid to a public officer  
31 for obtaining any permit or filing any lien or mortgage taken or  
32 reserved as security pursuant to a home repair contract;

33 (g) "Cash price" means the cash sales price for which the home  
34 repair contractor would sell the goods or services which are the  
35 subject matter of a home repair contract if the sale were a sale for  
36 cash rather than an installment sale;

37 (h) "Down payment" means all payments made in cash to the  
38 home repair contractor and all allowances given by the home repair  
39 contractor to the owner prior to or substantially contemporaneous  
40 with the execution of the home repair contract;

41 (i) "Credit service charge" means that amount by which the  
42 time sales price exceeds the aggregate of the cash price and the  
43 amounts specifically included for official fees and, if a separate  
44 charge is made therefor, the amount included for insurance and  
45 other benefits as provided in section 6 (d);

46 (j) "Time sales price" means the total amount to be paid  
47 pursuant to the contract excluding default charges authorized  
48 under this act;

49 (k) "Owner" means a person, including a tenant, who buys  
50 goods or services pursuant to a home repair contract;

51 (l) "Home financing agency" means any person, other than a  
52 home repair contractor, engaged, directly or indirectly, in the busi-  
53 ness of purchasing, acquiring, soliciting or arranging for the acqui-  
54 sition of home repair contracts or any obligation in connection  
55 therewith by purchase, discount, pledge or otherwise;

56 (m) "Holder" means any person who is entitled to the rights  
57 of a home repair contractor under a home repair contract;

58 (n) "Home repair salesman" means any individual who obtains  
59 a bona fide home repair contract;

60 (o) "Payment-period" means the period of time scheduled by a  
61 home repair contract to elapse between the days upon which in-  
62 stallment payments are scheduled to be made on such contract;  
63 except that, where installment payments are scheduled by the home

64 repair contract to be omitted, "payment-period" means the  
 65 period of time scheduled by the contract to elapse between the days  
 66 upon which installment payments are scheduled to be made during  
 67 that portion of the contract period in which no installment payment  
 68 is scheduled to be omitted; **[and]**

69 (p) "Contract period" means the period beginning on the date  
 70 of a home repair contract and ending on the date scheduled by the  
 71 contract for the payment of the final installment**[.]**;

72 (q) "*Actuarial method*" means the method of applying payments  
 73 made on a home repair contract between principal and credit  
 74 service charge pursuant to which a payment is applied first to  
 75 accumulated credit service charge and the remainder is applied to  
 76 the unpaid principal balance of the home repair contract in reduc-  
 77 tion thereof;

78 (r) "*Precomputed credit service charge*" means an amount equal  
 79 to the whole amount of credit service charge payable on a home  
 80 repair contract for the period from the making of the contract to  
 81 the date scheduled by the terms of the contract for the payment  
 82 of the final installment;

83 (s) "*Precomputed contract*" means a home repair contract in  
 84 which the face amount of the payment due consists of the balance  
 85 so evidenced and the credit service charge thereon; and

86 (t) "*Nonprecomputed contract*" means a home repair contract  
 87 in which the face amount of the payment due consists solely of the  
 88 balance due on the contract.\*

1 \***[1.]**\* \*2.\* Section 8 of P. L. 1960, c. 41 (C. 17:16C-69) is  
 2 amended as follows:

3 8. **[A home repair contractor may impose and receive a credit**  
 4 service charge not more than the following:

5 (a) In any case in which the due date of the last installment of  
 6 the contract is more than 8 months after the date of the contract,  
 7 \$7.00 per \$100.00 per year computed on the principal balance, or  
 8 \$12.00, whichever is greater;

9 (b) In any case in which the due date of the last installment of  
 10 the contract is 8 months or less after the date of the contract, \$7.00  
 11 per \$100.00 per year computed on the principal balance, or \$10.00,  
 12 whichever is greater.]

13 *A home repair contractor may impose and receive a credit service*  
 14 *charge not exceeding 15% per annum on the amount owing on the*  
 15 *unpaid principal balance of the contract, or \$12.00, whichever is*  
 16 *greater\*, except that the commissioner may, by regulation provide*

17 *that the credit service charge which may be contracted for and*  
18 *received shall be **\*\*[15%]\*\*** **\*\*more than 12%\*\*** per annum, but*  
19 *not **\*\*[less than 12% per annum nor]\*\*** **\*\*more than 18% per annum***  
20 *as shall be established by such regulation. In adopting regula-*  
21 *tions pursuant to this section, the commissioner shall consider*  
22 *the general state of the economy, the discount rates prescribed*  
23 *by the Federal Reserve Bank of New York and the Federal Re-*  
24 *serve Bank of Philadelphia, the availability of funds for loans,*  
25 *studies and statistics published by the Federal Reserve Bank*  
26 *system and other agencies of the United States and of this State,*  
27 *and such other factors and bases for determination as the com-*  
28 *missioner and the board may deem pertinent. The charge estab-*  
29 *lished by any such regulation shall reasonably reflect prevailing*  
30 *market conditions, regionally and nationally, based upon the*  
31 *studies, statistics and factors considered, and shall remain in*  
32 *force until the regulation is rescinded or the rate is increased*  
33 *or decreased by a subsequent regulation. Regulation shall have*  
34 *prospective effect only. This section shall not limit or restrict*  
35 *the manner of contracting for the credit service charge, whether*  
36 *by way of add-on, discount or otherwise, so long as the charge*  
37 *does not exceed that permitted by this section. In the case of a*  
38 *precomputed contract, the charge may be computed on the as-*  
39 *sumption that all scheduled payments will be made when due, and*  
39A *all scheduled installment payments made on a precomputed con-*  
40 *tract may be applied as if they were received on their scheduled*  
41 *due dates. In the case of nonprecomputed loans, all installment*  
42 *payments shall be applied no later than the next day, other than a*  
43 *public holiday, after the date of receipt, and a day shall be counted*  
44 *as 1/365 of a year.*

1 3. Section 10 of P. L. 1960, c. 41 (C. 17:16C-71) is amended to  
2 read as follows:

3 10. (a) A home repair contract *using a precomputed credit*  
4 *service charge* may provide for a delinquency or collection charge  
5 for default in the payment of any such contract or any installment  
6 thereof, if such default continues for a period of 10 days. Such  
7 charge shall not exceed 5% of the amount of the installment in  
8 default or \$5.00 whichever is the lesser and may be collected in  
9 cash or charged to the owner's account. If charged to the owner's  
10 account such charge shall be levied within 35 days from the date of  
11 such default and written notification that such charge has been  
12 made shall be mailed to the owner within 5 days from the date  
13 when such charge was made.

14 (b) The home repair contract may also provide for the payment  
 15 of reasonable attorney's fees when a payment in default for a  
 16 period of 10 days is referred to an attorney, not a salaried employee  
 17 of the holder of the contract, for collection.

1 4. Section 12 of P. L. 1960, c. 41 (C. 17:16C-73) is amended to  
 2 read as follows:

3 12. (a) When the unpaid balance owing on a *precomputed* home  
 4 repair contract is repaid in full at any time before the end of the  
 5 contract period, the holder of the contract shall allow a credit on  
 6 account of the *precomputed* credit service charge, the amount of  
 7 which shall be determined by the application of the formula  
 8  $C = AN \div D$ , in which "C" represents the amount of the credit  
 9 to be given; "A" represents the amount of the credit service  
 10 charge, less an acquisition cost of \$15.00; "D" represents an  
 11 amount determined as follows: there shall be ascribed to each  
 12 payment-period included in the contract period, beginning with the  
 13 first payment-period scheduled by the contract, the cardinal number  
 14 descriptive of the number of payment-periods scheduled by the  
 15 contract to elapse from the beginning of each such payment-period  
 16 to the end of the contract period, and the sum of all such cardinal  
 17 numbers shall constitute the quantity "D"; and "N" represents  
 18 the difference between the quantity "D" and the sum of all the  
 19 cardinal numbers ascribed to the payment-periods which have  
 20 elapsed, in whole or in part, from the date of the contract to the date  
 21 upon which such repayment is made. This section shall not apply  
 22 when the amount of the credit is less than \$1.00.

23 (b) *The unpaid balance of a nonprecomputed contract may be*  
 24 *paid in full at any time without penalty.\**

1 \***[2.]**\* \*5.\* This act shall take effect immediately.

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ASSEMBLY COMMERCE, INDUSTRY AND PROFESSIONS  
COMMITTEE

STATEMENT TO

**SENATE, No. 1018**

with Assembly committee amendments

**STATE OF NEW JERSEY**

DATED: JUNE 19, 1980

This bill allows a home repair contractor to charge up to 15% interest per year on the amount owing on the unpaid principal balance of a home repair financing contract, or \$12.00, whichever is greater. The bill also allows this interest ceiling to be adjusted by the Commissioner of Banking by regulation from 12% to 18% per year to reflect prevailing market conditions as indicated by the general state of the economy regionally and nationally, the discount rates prescribed by the Federal Reserve Banks of New York and Philadelphia, the availability of funds for loans, and other pertinent factors.

The committee made two technical amendments to clarify the wording in section 2.

SENATE LABOR, INDUSTRY AND  
PROFESSIONS COMMITTEE

STATEMENT TO

**SENATE, No. 1018**

with Senate committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 15, 1980

This bill would amend the "Home Repair Financing Act" (P. L. 1960, c. 41) to permit a home repair contractor to impose a credit service charge of up to 15% per year on the amount owing on the unpaid principal balance of a home repair financing contract, or \$12.00, whichever is greater. The bill would allow simple interest calculations as an alternative to the add-on method.

As it now stands, a home repair contractor would be permitted to charge 7% interest calculated by the add-on method, or either \$10.00 or \$12.00, depending on the maturity date of the contract. 7% interest calculated by the add-on method would be equivalent to an annual percentage yield of 12.68% per year for a 12-month contract, 12.83% for a 36-month contract, 11.99% for a 96-month contract, 11.69% for a 120-month contract, etc. Senate Bill No. 1018 would allow a credit service charge of up to 15%, or \$12.00, whichever is greater.

Home repair contractors provide credit as well as services to the consumers they serve. Inflation and the high cost of money, combined with the present rate in the Home Repair Financing Act, have restricted home repairs made pursuant to the act.

Secondary mortgage and FHA lenders are permitted to charge an 18% interest rate on money used for home improvements. If the home repair contractor can't compete, the consumer loses a financing alternative. This bill would establish a competitive market rate for home repair contractors.

Amendments proposed by the sponsor would allow the credit service charge to be adjusted by the commissioner from 12% to 18% to reflect prevailing market conditions as indicated by the general state of the economy regionally and nationally, the discount rates prescribed by the Federal Reserve Banks of New York and Philadelphia, the availability of funds for loans, and other pertinent factors.

The amendments define "actuarial method", "precomputed credit service charge", "precomputed contract" and "nonprecomputed contract".



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SENATE LABOR, INDUSTRY AND  
PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 1018

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**STATE OF NEW JERSEY**

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DATED: FEBRUARY 25, 1980

This bill would amend the "Home Repair Financing Act" (P. L. 1960, c. 41) to permit a home repair contractor to impose a credit service charge of up to 15% simple interest per year on the amount owing on the unpaid principal balance of a home repair financing contract, or \$12.00, whichever is greater, regardless of the maturity date of the contract.

As it now stands, a home repair contractor would be permitted to charge 7% interest calculated by the add-on method, or either \$10.00 or \$12.00, depending on the maturity date of the contract. 7% interest calculated by the add-on method would be equivalent to an annual percentage yield of 12.68% per year for a 12 month contract, 12.83% for a 36 month contract, 11.99% for a 96 month contract, 11.69% for a 120 month contract, etc.

This bill would make the method of collecting interest identical with the method used by banks for home improvement loans.