

17:16C-62

LEGISLATIVE HISTORY CHECKLIST
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(Home repairs--financing)

NJSA: 17:16C-62

LAWS OF: 1997 CHAPTER: 84

BILL NO: A2164

SPONSOR(S): Bateman

DATE INTRODUCED: June 20, 1996

COMMITTEE: ASSEMBLY: Financial Institutions

SENATE: ---

AMENDED DURING PASSAGE: Yes Amendments during passage
Second reprint enacted denoted by superscript numbers

DATE OF PASSAGE: ASSEMBLY: January 29, 1997

SENATE: March 10, 1997

DATE OF APPROVAL: April 30, 1997

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes Also attached: statement with
floor amendments, adopted
12-12-96

COMMITTEE STATEMENT: ASSEMBLY: Yes

SENATE: No

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:
REPORTS: No

HEARINGS: No

KBP:pp

[Corrected Copy]

[Second Reprint]

ASSEMBLY, No. 2164

STATE OF NEW JERSEY

INTRODUCED JUNE 20, 1996

By Assemblymen BATEMAN, COHEN and Senator Inverso

1 AN ACT concerning financing of home repairs and amending P.L.1960,
2 c.41.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 1 of P.L.1960, c.41 (C.17:16C-62) is amended to read
8 as follows:

9 1. Unless the context otherwise indicates,

10 (a) "Goods" means all chattels personal which are furnished or
11 used in the modernization, rehabilitation, repair, alteration or
12 improvement of real property except those furnished or used for a
13 commercial or business purpose or for resale, and except stoves,
14 freezers, refrigerators, air conditioners other than those connected
15 with a central heating system, hot water heaters and other appliances
16 furnished for use in a home and designed to be removable therefrom
17 without material injury to the structure, and except chattels personal
18 under a contract in which the cash price is \$300.00 or less and which
19 is subject to the **【Retail Installment Sales Act of 1960】** "Retail
20 Installment Sales Act of 1960," P.L.1960, c.40 (C.17:16C-1 et seq.);

21 (b) "Services" means labor, equipment and facilities furnished or
22 used in connection with the installation or application of goods in the
23 modernization, rehabilitation, repair, alteration or improvement of real
24 property;

25 (c) "Home repair contract" means an agreement, whether contained
26 in one or more documents, between a home repair contractor and an
27 owner to pay the time sales price of goods or services in installments
28 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 intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AFI committee amendments adopted September 16, 1996.

² Assembly floor amendments adopted December 12, 1996.

- 1 (d) "Home repair contractor" means any person engaged in the
2 business of selling goods or services pursuant to a home repair
3 contract;
- 4 (e) "Commissioner" means the Commissioner of Banking ¹and
5 Insurance¹ of New Jersey and includes any deputies or employees of
6 the department designated by him to administer and enforce this act;
- 7 (f) "Official fees" means the fees to be paid to a public officer for
8 obtaining any permit or filing any lien or mortgage taken or reserved
9 as security pursuant to a home repair contract;
- 10 (g) "Cash price" means the cash sales price for which the home
11 repair contractor would sell the goods or services which are the
12 subject matter of a home repair contract if the sale were a sale for cash
13 rather than an installment sale;
- 14 (h) "Down payment" means all payments made in cash to the home
15 repair contractor and all allowances given by the home repair
16 contractor to the owner prior to or substantially contemporaneous
17 with the execution of the home repair contract;
- 18 (i) "Credit service charge" means that amount by which the time
19 sales price exceeds the aggregate of the cash price and the amounts
20 specifically included for official fees and, if a separate charge is made
21 therefor, the amount included for insurance and other benefits as
22 provided in paragraph (4) of subsection (a) of section 6 [(d)] of
23 P.L.1960, c.41 (C.17:16C-67);
- 24 (j) "Time sales price" means the total amount to be paid pursuant
25 to the contract excluding default charges authorized under this act;
- 26 (k) "Owner" means a person, including a tenant, who buys goods
27 or services pursuant to a home repair contract;
- 28 (l) "Home financing agency" means any person, other than a home
29 repair contractor, engaged, directly or indirectly, in the business of
30 purchasing, acquiring, soliciting or arranging for the acquisition of
31 home repair contracts or any obligation in connection therewith by
32 purchase, discount, pledge or otherwise;
- 33 (m) "Holder" means any person who is entitled to the rights of a
34 home repair contractor under a home repair contract;
- 35 (n) "Home repair salesman" means any individual who obtains a
36 bona fide home repair contract;
- 37 (o) "Payment-period" means the period of time scheduled by a
38 home repair contract to elapse between the days upon which
39 installment payments are scheduled to be made on such contract;
40 except that, where installment payments are scheduled by the home
41 repair contract to be omitted, "payment-period" means the period of
42 time scheduled by the contract to elapse between the days upon which
43 installment payments are scheduled to be made during that portion of
44 the contract period in which no installment payment is scheduled to be
45 omitted;
- 46 (p) "Contract period" means the period beginning on the date of a

1 home repair contract and ending on the date scheduled by the contract
2 for the payment of the final installment;

3 (q) "Actuarial method" means the method of applying payments
4 made on a home repair contract between principal and credit service
5 charge pursuant to which a payment is applied first to accumulated
6 credit service charge and the remainder is applied to the unpaid
7 principal balance of the home repair contract in reduction thereof;

8 (r) "Precomputed credit service charge" means an amount equal to
9 the whole amount of credit service charge payable on a home repair
10 contract for the period from the making of the contract to the date
11 scheduled by the terms of the contract for the payment of the final
12 installment;

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

16 (t) "Nonprecomputed contract" means a home repair contract in
17 which the face amount of the payment due consists solely of the
18 balance due on the contract, or a home repair contract in which the
19 credit service charge is imposed on the outstanding balance from
20 month to month.

21 (cf: P.L.1980, c.174, s.1)

22
23 2. Section 6 of P.L.1960, c.41 (C.17:16C-67) is amended to read
24 as follows:

25 6. (a) Every home repair contract shall state separately:

26 **[(a)] (1)** the cash price of the goods or services to be furnished;

27 **[(b)] (2)** the down payment;

28 **[(c)] (3)** the unpaid cash balance which is the difference between
29 **[subsections (a) and (b)] paragraphs (1) and (2) of this subsection (a);**

30 **[(d)] (4)** the amount, if any, if a separate charge is made therefor,
31 included for credit life insurance and other benefits pursuant to
32 **[chapter 169 of the laws of 1958] N.J.S.17B:29-1 et seq.,** specifying
33 the coverages and benefits;

34 **[(e)] (5)** the official fees;

35 **[(f)] (6)** the principal balance, which is the sum of **[subsections**
36 **(c), (d) and (e)] paragraphs (3), (4) and (5) of this subsection (a);**

37 **[(g)] (7)** the credit service charge;

38 **[(h)] (8)** the time balance, which is the sum of **[subsections (f) and**
39 **(g)] paragraphs (6) and (7) of this subsection (a),** the number of
40 installments required, the amount of each installment and the due dates
41 thereof;

42 (b) In lieu of the disclosures specified in paragraphs (1) through (8)
43 of subsection (a) of this section, a precomputed or a nonprecomputed
44 home repair contract shall be deemed to be in compliance with the
45 requirements of this section if the home repair contract provides the

1 disclosures required by the federal "Truth in Lending Act," 15 U.S.C.
2 §1601 et seq. and the regulations implementing that act, 12
3 C.F.R. §226 et seq., for open-end or closed-end loans, as applicable.
4 (cf: P.L.1968, c.220, s.6)

5
6 3. Section 8 of P.L.1960, c.41 (C.17:16C-69) is amended to read
7 as follows:

8 8. ²a. A home repair contractor may impose and receive a credit
9 service charge in amount or amounts agreed to by the home repair
10 contractor and the owner on the amount owing on the unpaid principal
11 balance of the contract. This section shall not limit or restrict the
12 manner of contracting for the credit service charge, whether by way of
13 add-on, discount, periodic rate or otherwise, so long as the charge
14 does not exceed that permitted by this section. In the case of a
15 precomputed contract, the charge may be computed on the assumption
16 that all scheduled payments will be made when due, and all scheduled
17 installment payments made on a precomputed contract may be applied
18 as if they were received on their scheduled due dates. In the case of
19 nonprecomputed loans, all installment payments shall be applied no
20 later than the **【next day, other than a public holiday, after the】** date of
21 receipt, and a day shall be counted as 1/365 of a year.

22 **【Effective on the first day of the twelfth month following the**
23 **effective date of this act, notwithstanding】** ²b. Notwithstanding
24 provisions of section **【73】 12** of P.L.1960, c.41 (C.17:16C-73), when
25 the unpaid balance owing upon a contract is paid in full or the maturity
26 of the unpaid balance of such contract is accelerated, before the date
27 scheduled for the payment of the final installment, the holder of **【the】**
28 a precomputed contract shall allow a credit on account of the credit
29 service charge, calculated according to the actuarial refund method, as
30 if all payments were made as scheduled, or if deferred, as deferred;
31 provided, however, that if the contract is prepaid within 12 months
32 after the first payment is due, a holder may charge a prepayment
33 penalty of not more than ²**【(a)】 (1)** \$20.00 on any contract up to and
34 including \$2,000.00; ²**【(b)】 (2)** an amount equal to 1% of the loan on
35 any contract greater than \$2,000.00 and up to and including
36 \$5,000.00; and ²**【(c)】 (3)** \$100.00 on any contract exceeding
37 \$5,000.00.

38 ²c. With respect to nonprecomputed contracts, the regularly
39 scheduled minimum monthly payments of principal and credit service
40 charges, irrespective of any other charges permitted under P.L.1960,
41 c.41 (C.17:16C-62 et seq), for any debt incurred for the purchase of
42 a home improvement shall result in positive amortization of the debt
43 and shall not increase the amount of debt outstanding.²

44 (cf: P.L.1981, c.103, s.15)

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46 4. This act shall take effect immediately and shall apply to home

1 repair contracts entered into on and after the effective date of this act.

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6 Provides for open-end financing of home repairs.

1 3. Section 8 of P.L.1960. c.41 (C.17:16C-69) is amended to read
2 as follows:

3 8. A home repair contractor may impose and receive a credit
4 service charge in amount or amounts agreed to by the home repair
5 contractor and the owner on the amount owing on the unpaid principal
6 balance of the contract. This section shall not limit or restrict the
7 manner of contracting for the credit service charge, whether by way of
8 add-on, discount, periodic rate or otherwise, so long as the charge
9 does not exceed that permitted by this section. In the case of a
10 precomputed contract, the charge may be computed on the assumption
11 that all scheduled payments will be made when due, and all scheduled
12 installment payments made on a precomputed contract may be applied
13 as if they were received on their scheduled due dates. In the case of
14 nonprecomputed loans, all installment payments shall be applied no
15 later than the **【next day, other than a public holiday, after the】** date of
16 receipt, and a day shall be counted as $1/365$ of a year.

17 **【Effective on the first day of the twelfth month following the**
18 **effective date of this act, notwithstanding】** Notwithstanding the
19 provisions of section **【73】** 12 of P.L.1960, c.41 (C.17:16C-73), when
20 the unpaid balance owing upon a contract is paid in full or the
21 maturity of the unpaid balance of such contract is accelerated, before
22 the date scheduled for the payment of the final installment, the holder
23 of **【the】** a precomputed contract shall allow a credit on account of the
24 credit service charge, calculated according to the actuarial refund
25 method, as if all payments were made as scheduled, or if deferred, as
26 deferred; provided, however, that if the contract is prepaid within 12
27 months after the first payment is due, a holder may charge a
28 prepayment penalty of not more than (a) \$20.00 on any contract up
29 to and including \$2,000.00; (b) an amount equal to 1% of the loan on
30 any contract greater than \$2,000.00 and up to and including
31 \$5,000.00; and (c) \$100.00 on any contract exceeding \$5,000.00.
32 (cf: P.L.1981, c.103, s.15)

33

34 4. This act shall take effect immediately and shall apply to home
35 repair contracts entered into on and after the effective date of this act.

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STATEMENT

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41 This bill permits open-end financing of home repairs under the
42 "Home Repair Financing Act," P.L.1960, c.41 (C.17:16C-62 et seq.).
43 In addition, it provides that a home repair contractor may be deemed
44 to be in compliance with the disclosure requirements of the "Home
45 Repair Financing Act" if the contractor provides the disclosures
46 required under the federal "Truth in Lending Act" and the regulations

1 implementing that act. In compliance with federal regulations, the bill
2 requires that an installment payment shall be applied on the date of
3 receipt.

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7 Provides for open-end financing of home repairs.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2164

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 16, 1996

The Assembly Financial Institutions Committee reports favorably and with committee amendments Assembly Bill No.2164.

This bill, as amended, permits open-end financing of home repairs under the "Home Repair Financing Act," P.L.1960, c.41 (C.17:16C-62 et seq.). In addition, it provides that a home repair contractor may be deemed to be in compliance with the disclosure requirements of the "Home Repair Financing Act" if the contractor provides the disclosures required under the federal "Truth in Lending Act" and the regulations implementing that act. In compliance with federal regulations, the bill requires that an installment payment shall be applied on the date of receipt.

The committee amended the bill to change the name of the Commissioner of Banking to the Commissioner of Banking and Insurance.

STATEMENT TO
ASSEMBLY, No. 2164

with Assembly Floor Amendments
(Proposed By Assemblyman BATEMAN)

ADOPTED: DECEMBER 12, 1996

This bill provides for open-end home repair contracts. This amendment requires that, for open-end home repair contracts, the regularly scheduled minimum monthly payments of principal and interest for any debt incurred for the purchase of a home improvement will result in positive amortization of the debt and will not increase the amount of the debt outstanding. With these amendments, this bill is identical to S-1275(1R).