
By Mr. Weinberg of Boston, petition of Norman S. Weinberg for legislation relative to contracts of conditional sale of personal property. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Fifty-Six.

AN ACT CONCERNING CONTRACTS OF CONDITIONAL SALE OF
PERSONAL PROPERTY.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 255 of the General Laws is
2 hereby amended by adding in section 12, after the words
3 "the total amount of finance charges, which shall", the
4 word: — not, so as to read as follows: — *Section 12. —*
5 *Requisites of Conditional Sale Contract.* — Each con-
6 ditional sale which includes one or more articles of
7 personal property shall be embodied in a single written
8 contract, which contract shall contain the entire agree-
9 ment between the parties. Said contract shall specifi-
10 cally set forth, captioned in print of not less than eight-
11 point type in case a printed form is used, the following:
12 —a description of the property to be sold to the vendee;
13 the cash price thereof; the down payment; a descrip-
14 tion of property to be traded in, if any, and the trade-in
15 allowance therefor; other credit allowances, if any;
16 the difference between the cash price and the aggre-
17 gate of down payment and allowances, if any; a
18 description of each policy of insurance for which a
19 charge is made by the vendor; the total amount of
20 finance charges, which shall not include the insurance
21 premiums, if any.

1 SECTION 2. Chapter 255 of the General Laws, sec-
2 tion 12A, is hereby amended by inserting at the begin-
3 ning of said section the words "except in the case of
4 motor vehicles," so as to read as follows: — *Section 12A.*
5 — *Contracts of Sale on Credit, Conditional Sales, etc.;*
6 *Statement to be included.* — Except in the case of motor
7 vehicles, every contract of sale on credit, conditional
8 sale or sale subject to a personal property mortgage in
9 which finance charges are included, shall be in writing
10 and shall have printed thereon in not less than eight
11 point bold face type the words, "the finance charges
12 provided herein are not regulated by law. They are a
13 matter for agreement between the parties."

1 SECTION 3. Chapter 255 of the General Laws is
2 hereby amended by adding the following section 12C: —
3 *Section 12C.* No person in a contract of sale of a
4 motor vehicle on credit, a conditional sale of a motor
5 vehicle, or sale of a motor vehicle subject to a personal
6 property mortgage, may impose any finance charge;
7 nor may any other person be a holder of such evidence
8 of debt without obtaining from the commissioner of
9 banks a license as provided in section twelve D.

1 SECTION 4. Chapter 255 of the General Laws is
2 hereby amended by adding the following: —
3 *Section 12D.* (A) If satisfied as to the character
4 and fitness of the applicant, and the general public
5 convenience, the commissioner of banks may issue a
6 license to expire annually on December thirty-first.
7 The license fee shall be one hundred and fifty dollars
8 per annum. Such licensee may, in a contract of sale
9 of a motor vehicle, conditional sale of a motor vehicle,
10 or sale of a motor vehicle subject to a personal prop-
11 erty mortgage, contract for or be the holder of such
12 contractual debt, containing a finance charge not to
13 exceed —
14 *Class I.* — New motor vehicles, six per cent per year.
15 *Class II.* — Used motor vehicles of a model desig-

16 nated by the manufacturer by a year not more than
17 two years prior to the year in which the sale is made,
18 nine per cent per year.

19 *Class III.* — Older used motor vehicles of a model
20 designated by the manufacturer by a year more than
21 two years prior to the year in which the sale is made,
22 twelve per cent per year.

23 Such finance charge shall be computed on the prin-
24 cipal amount financed as determined under section
25 thirteen.

26 Such finance charge shall be computed at the annual
27 rate indicated on contracts, which are payable by in-
28 stallment payments, extending for a period of one year.
29 On contracts providing for installment payments,
30 extending for a period which is less than or greater
31 than one year, the finance charge shall be computed
32 proportionately.

33 Such finance charge may be computed on the basis
34 of a full month for any fractional month period in ex-
35 cess of ten days.

36 A minimum finance charge of ten dollars may be
37 charged on any installment sale contract in which
38 the finance charge, when computed at the rates indi-
39 cated, results in a total charge of less than this amount.

40 (B) The holder of an installment sale contract may
41 extend the scheduled due date, or defer the scheduled
42 payment of all or part of any unpaid installment pay-
43 ment or payments, or renew the unpaid time balance
44 of such contract.

45 The holder may contract for, receive and collect a
46 refinance charge for such extension, deferment or re-
47 newal. Such refinance charge shall not exceed the
48 amount ascertained under either of the following
49 methods of computation at the respective rates indi-
50 cated by —

51 *Option 1.* — Computing the refinance charge on the
52 amount of the installment payment or payments or
53 part thereof, which is refinanced for the period of time,
54 for which each payment or part thereof is extended

55 or deferred at the following rates on contracts origi-
56 nally in the respective classification of motor vehicles
57 set forth in the preceding section of this act:—

58 *Class I.* — One per cent per month.

59 *Class II.* — One and one half per cent per month.

60 *Class III.* — Two per cent per month.

61 Such refinance charges may be computed on the
62 basis of a full month for any fractional month period
63 in excess of ten days.

64 *Option 2.* — Computing the refinance charge on the
65 amount obtained by adding to the unpaid time bal-
66 ance of the contract, the insurance cost and other
67 costs incidental to refinancing, by adding unpaid
68 default charges, which may be accrued, and by deduct-
69 ing any rebate which may be due to the buyer for pre-
70 payment incidental to refinancing, at the rate of the
71 finance charge in the original contract, for the term
72 of the renewal contract, and subject to the provisions
73 of this act governing computation of the original
74 finance charge; provided, however, that the provi-
75 sions of this act governing minimum finance charges
76 and minimum prepayment rebate shall not apply in
77 calculating refinance charges on the contract renewed
78 under this method of computation.

79 The holder of any installment sale contract shall
80 not include in any contract for refinancing such con-
81 tract any cash loan to the buyer, nor any credit ex-
82 tended to the buyer incidental to the purchase of goods
83 or services; provided, further, that the word loan herein
84 shall not include, nor this act prohibit, a rearrange-
85 ment of payments under the installment sale contract
86 by a refinance transaction involving a restoration of
87 certain installment payments made under the contract,
88 but the refinance charge on such amount restored may
89 be not more than six per cent per annum, simple inter-
90 est; and provided, further, however, that the holder
91 of such contract may embody in such refinance con-
92 tract the cost of accessories, equipment and parts for
93 the motor vehicle sold under such contract and the cost

94 of repairs and services to such motor vehicle, including
95 finance charges thereon.

96 (C) A default charge may be collected on any in-
97 stallment payment or payments which are not paid on
98 or before the due date of such payments. Such de-
99 fault charge shall not exceed the rate of two per cent
100 per month on the amount of the payment or payments
101 in arrears. Such default charge may be computed on
102 the basis of a full calendar month for any fractional
103 month period in excess of ten days. Such default
104 charges may be collected, when earned, during the
105 term of the contract, or may be accumulated and col-
106 lected at final maturity, or at the time of final payment
107 under the contract. Such default charge shall not be
108 collected on any payment in default because of any
109 acceleration provision in the contract.

1 SECTION 5. Chapter 255 of the General Laws is
2 hereby amended by adding the following section:—

3 *Section 12E.* The commissioner of banks may adopt
4 rules and regulations necessary and reasonable to super-
5 vise licensees, or those persons unlicensed, engaged in
6 this business.

1 SECTION 6. Chapter 255 of the General Laws is
2 hereby amended by adding in section thirteen G, after
3 the words "violation of any provision of section twelve,"
4 the words:— twelve A, twelve B, twelve C, twelve D,
5 twelve E, — and after the words "five hundred dollars"
6 the words:— or by imprisonment for not more than
7 one year or both, — so as to read as follows:— *Sec-*
8 *tion 13G. Penalty for Violation of Sections 12, 12A-*
9 *12E, 13, 13D-13F.*— Violation of any provision of
10 section twelve, twelve A, twelve B, twelve C, twelve D,
11 twelve E, thirteen, thirteen D, thirteen E, or thirteen F
12 shall be punished by a fine of not less than one hundred
13 nor more than five hundred dollars, or by imprison-
14 ment for not more than one year, or both.

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