

By Mrs. Metayer of Braintree, petition of Elizabeth N. Metayer for legislation to require notice to and other protection for, cosigners, guarantors and similar parties. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty.

AN ACT REQUIRING NOTICE TO, AND OTHER PROTECTIONS FOR, COSIGNERS, GUARANTORS AND SIMILAR PARTIES.

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. Section 48 of chapter 93 of the General Laws, as
2 most recently amended by sections 1 through 3 of chapter 90 of the
3 Acts of 1975, is hereby further amended by inserting after paragraph
4 I the following paragraph: —

5 J. For the purposes of this section the term “buyer” shall include
6 any customer of consumer credit as defined by clause (n) of section
7 one of chapter one hundred forty C, including a cosigner, comaker,
8 endorser, guarantor, surety or other similar party.

1 SECTION 2. Section 5 of chapter 140C of the General Laws, as
2 most recently amended by section 3A of chapter 480 of the Acts of
3 1978, is hereby amended by striking paragraph (d) and inserting in
4 its place the following paragraph: —

5 (d) In any transaction under this chapter in which there is more
6 than one customer, the creditor shall furnish a statement of disclo-
7 sure to each customer, whether the principal debtor, an endorser,
8 comaker, guarantor, accomodation maker or other similar party.

1 SECTION 3. Said chapter 140C of the General Laws is hereby
2 further amended by inserting after section 10A, inserted by section 2
3 of chapter 575 of the Acts of 1979, the following section: —

4 *Section 10B.* No customer, who is a cosigner, guarantor, comak-
5 er, endorser, accomodation party or other similar party, shall be
6 held liable for any amount greater than he actually receives unless:

7 (a) Said customer is furnished with a separate statement which
8 shall contain in ten point bold face type the following information
9 and no other:

10 "Notice

11 (Date)

12 "By signing this contract you are agreeing to pay (amount of
13 contract) to (lender) if (principal debtor) does not. Before you are
14 required to pay, (lender) must take reasonable steps to collect
15 from (principal debtor).

16 "If (principal debtor) does not pay (amount of contract) or any
17 part of it when it is due, after (lender) has taken reasonable steps to
18 collect from (principal debtor), you can be sued and required to
19 pay the entire unpaid balance of the contract or any part of it.
20 When sued you may assert whatever legal rights (principal
21 debtor) you have relating to the contract.

22 "If (lender) wins a suit against you in court, it may take a part of
23 your wages each week until the debt is paid in full; it may take your
24 savings, your home or your personal property to pay this debt;
25 and it may use other lawful means to collect this debt from you.

26 "This notice is *not* the contract you will be asked to sign. You
27 must be given a copy of that contract and of this notice.

28
29 _____
Signature of Cosigner"

30 (b) The customer signs said notice as well as a document evi-
31 dencing the obligation which discloses the full amount he may be
32 asked to repay.

33 (c) The customer is furnished with a completed copy of every
34 document that he is asked to sign or that is furnished or must be
35 furnished to the principal debtor.

36 (d) Any document evidencing the obligation contains the fol-
37 lowing paragraphs:

38 "No cosigner, guarantor or other surety of this obligation shall
39 be liable hereunder except after the lender or retail installment
40 seller has employed due diligence in attempting to collect the
41 obligation from the principal debtor.

42 "No cosigner, guarantor or other surety of this obligation shall
43 be liable hereunder for more than the amount financed.

44 "No cosigner, guarantor or other surety of this obligation shall
45 be liable hereunder unless promptly notified in writing of any
46 default by the principal debtor."