



DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF CONSUMER CREDIT PROTECTION
(207)289-3731

ADVISORY RULING #92
MAY 29, 1987

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RE: Advertising Weekly Payments Under A Monthly Amortizing Repayment Plan, §3-201

A trade association representing retailers who are extensively involved in installment financing has asked for clarification of the propriety of advertising weekly payment plans on outstanding balances that amortize only monthly.

Under the terms of the typical offer the creditor, who assigns the initial credit contract to a sales finance company, will collect payments on a weekly basis as a convenience to customers, and forward them monthly to the assignee when due. There is no obligation on the customer's part to pay the assignor weekly, nor is there any charge associated with the assignor's service. For many customers who get paid on a weekly basis, the weekly payment to the assignor represents a significant convenience and an assured form of budgeting that they find of value. Because of the attractiveness of advertising a smaller weekly payment versus a monthly payment, this practice is growing among some creditors.

There are two relevant provisions governing the advertising of credit terms: §3-201 of 9-A MRSA, the Maine Consumer Credit Code, and §§226.16 and 226.24 of Regulation Z, which the Bureau has adopted as state law as Regulation Z-2. Section 3-201 prohibits the advertising of false or misleading terms relating to the extension of credit. Subsection 5 of that section declares that disclosure of rates and terms in accordance with the Federal Consumer Credit Protection Act does not violate state law.

Section 226.24 of Regulation Z (dealing with closed-end credit advertising, the only provision relevant here), states that an advertisement must only state "terms that actually are or will be arranged or offered by the creditor." Beyond that, there is no specific guidance in the Regulation on the question at hand.

The advertising provisions of Regulation Z offer creditor-advertisers more flexibility in advertising credit products than in disclosing them in a contract. For example, while only the annual percentage rate may be disclosed on a truth-in-lending disclosure statement, §226.24(b)(2) allows disclosure of a "simple annual or periodic rate, " in addition to the APR, in a credit advertisement. The only condition is that the additional rates not be more conspicuous than the APR. Subsection (b)(4) of that same section in the Staff Commentary declares that a reduced payment rate, the actual rate, and the APR, can all be disclosed in an advertisement discussing a negatively amortizing loan product. And §226.24(c)(2)-2 of the Commentary notes that in a credit

advertisement "repayment terms may be expressed in a variety of ways in addition to an exact repayment schedule."

Applying the logic of those provisions to the question at hand, the Bureau finds that the disclosure of a weekly payment amount would not be violative of the advertising provisions of the Code provided:

- (1) the "weekly" payment amount is a mathematically accurate fraction of the monthly payment amount (i.e., monthly payment amount $4 \frac{1}{3}$);
- (2) the advertisement does not display the weekly payment amount more conspicuously than the monthly obligated payment amount;
- (3) the assignor-advertiser, in fact, accepts payments on the basis of what was described in this ruling; and
- (4) the advertisement makes clear that the credit obligation is monthly, and that acceptance of weekly payments by the assignor will not result in more rapid amortization of the debt.

The Bureau hastens to add that because it has not received an exemption to enforce Chapter 3 - Credit Advertising - of Title I of the Federal Consumer Credit Protection Act from the Federal Reserve Board, this advisory ruling relates only to the Bureau's enforcement position under §3-201 of the Maine Consumer Credit Code. The interpretation set forth in this Ruling is thus not binding on any federal regulatory agency, which may take a different or contrary view, under its enforcement powers under federal law. The shield from liability granted to creditors following the guidance of advisory rulings, pursuant to §6-104(2), is thus not available in any action or proceeding that may be commenced by a federal regulatory agency.

/s/ Robert A. Burgess

Robert A. Burgess
Superintendent

RAB/rlb