

155-2-2-.11 Deferral and Extension Charges
Alabama Consumer Credit Act

1. On a pre-computed consumer credit transaction, a deferral charge may be computed by multiplying the final month finance charge refund under the Rule of 78s, exclusive of any earned additional day charges included in the first payment and/or any prepaid finance charges, by the number of months the payment is deferred.

2. When one or more deferral charges have been made in a scheduled contract, upon renewal or repayment, the number of months elapsed in the contract shall be reduced by the number of deferral charges paid. Refunds shall then be computed on the original finance charge, exclusive of any earned additional day charges included in the first payment and/or any prepaid finance charges, in accordance with Sections 5-19-4(c) and 5-19-4(d) of the Alabama Consumer Credit Act.

3. On a pre-computed consumer credit transaction when the first payment date is extended, a charge for each additional day may be assessed in an amount not in excess of the maximum finance charges authorized by the Alabama Consumer Credit Act. Such additional charges shall be included in the first payment and, except in the case when daily pro rata refunds are required, not subject to rebate once the extended period has passed.

4. Prepayment penalties may be provided for in a consumer credit transaction contract and assessed in a simple interest transaction only where the original amount financed is equal to or greater than \$2,000 and (a) the transaction involves an interest in real property and the creditor is either an approved mortgagee under the provisions of the National Housing Act or exempt from licensing under the Alabama Consumer Credit Act; or (b) the creditor is a trust institution or an exempt trust as described in Section 5-19-31(a). In all other situations, whether the consumer credit transaction is simple interest or pre-computed, the inclusion of a prepayment penalty is not permissible under the Alabama Consumer Credit Act.

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Statutory Authority: Code of Alabama 1975, §5-19-3, §5-19-4, §5-19-21

History: Amended October 1, 2001