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ADVISORY RULING #103  
MAY 12, 1993

May 12, 1993

**Re: Home Equity Account: Conversion From Monthly to Daily Periodic Rate**

Dear \_\_\_\_\_ :

Your client, a state-chartered supervised financial organization, wishes to change its method of computing interest on existing home equity lines of credit from "monthly periodic rate" to "daily periodic rate."

You have asked whether this change would trigger the provisions of 9-A M.R.S.A. §3-204(2)(A), which allows a consumer subject to a change in terms which would "increase any penalty, interest or other charges" to opt out of the proposed change, and refinance their existing balance at the original rate of interest.

In my opinion, the bank's proposal would not trigger the statute's opt-out/refinance provisions. This law was enacted to prevent creditors from unilaterally applying drastic increases to existing open-end balances. In your client's case, the change in terms is of a procedural nature, designed to bring computational consistency to the bank's various loan products. In addition, a study of actual existing accounts shows that the change would make only insignificant differences in annual finance charges, and that the number of consumers subject to slightly higher charges is offset by an equal number who would pay less.

Your client must provide affected consumers with a minimum of fifteen (15) days' advance written notice of the new method, since Regulation Z, 12 C.F.R. Section 226.9(c)(1) requires such notice whenever a change occurs to any term required to be initially disclosed to consumers.

I trust this is responsive to your request for an Advisory Ruling on this matter.

Sincerely,

William N. Lund  
Superintendent

WNL/bas