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Administrative Interpretation NO. 2.405-7605

"BALLOON PAYMENT" DOES NOT INCLUDE A SINGLE PRINCIPAL
PAYMENT PRECEDED BY PERIODIC PAYMENTS OF INTEREST
ALONE.

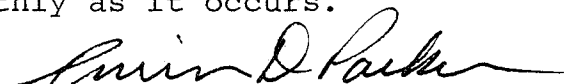
With your letter you enclosed a Contract of Sale and Security Agreement to be used for the credit sale of enrollment certificates to be issued by a school. The contract provides that the total cash price of the enrollment certificates will be due and payable September 10, 1979. Interest computed at the rate of 9% per annum is to be paid by the consumer on a monthly basis until the maturity date of the contract.

I understand your question to be whether the single principal payment following monthly instalments of interest only would constitute a "balloon payment" within the meaning of Section 8-800.195 of the 1962 South Carolina Code of Laws, as amended (hereinafter referred to as S.C. Code) [Consumer Protection Code Section 2.405].

Section 8-800.102 of the S.C. Code [Consumer Protection Code Section 1.102], requires that the Code shall be liberally construed and applied to promote its underlying purposes and policies, and states that one of the underlying purposes and policies of the act is to conform the regulation of consumer credit transactions to the policies of the Federal Consumer Credit Protection Act. The Federal Reserve Board in its interpretive letter #63, dated August 13, 1969, concerning the Truth in Lending aspects of the Federal Consumer Protection Act stated:

Under single principal payment notes where the interest is payable at intervals in advance of the final payment of principal, the single payment of principal is not the kind of payment to which "balloon payment" was intended to apply.
[1 CCH Consumer Credit Guide ¶1530.73]

It is the opinion of this office that Section 8-800.195 of the S.C. Code [Consumer Protection Code Section 2.405] is not applicable to the repayment and arrangement provided in the above referenced Contract of Sale and Security Agreement which provides for a single payment of principal on a stated date with all interest payable monthly as it occurs.


Irvin D. Parker
Administrator