The State of South Carolina

Department of Consumer Affairs

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Administrative Interpretation No. 3.210-7609 (as amended 12/9/76)*

THE CODE DOES NOT PERMIT LENDERS TO TREAT
"ONE DAY AS CONSTITUTING AN ENTIRE MONTH."

A number of lenders have asked whether the Code permits a lender, in computing a rebate under §3.210, to treat "one day as constituting an entire month."

Section 3.210 (identical to §2.210 relating to sales) sets forth two methods of computing rebates. The "actuarial method" and the "sum of balances method" also known as the "Rule of 78ths method". Neither formula contains language similar to or suggestive of the quoted language in the question.

The actuarial method is permitted for all consumer credit transactions. It is required in the case of a transaction which is originally repayable in more than sixty-one (61) installments and in a transaction in which there has been a deferral other than a standard deferral. All other required rebates may be made by the sum of balances method.

The actuarial method requires recomputing the earned finance charge by applying the contract annual percentage rate to the "actual" unpaid balances for the "actual" time that the balances were outstanding. The unearned finance charge is the difference between the finance charge contracted for and the amount "actually" earned. There is nothing in this formula to suggest that a day might be anything other than twenty-four (24) hours.
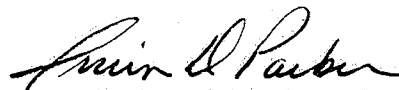
The sum of balances method permits an approximation of finance charges attributable to each "computational period" [§3.204(1) (a)]. The unearned finance charge which must be rebated under this method is the sum of the amounts attributable to the computational periods following the computational period in which prepayment occurs.

The portion of the finance charge attributable to each computational period is a fraction the numerator of which is the sum of the periodic balances scheduled to follow that computational period

and the denominator of which is the sum of all of the scheduled periodic balances.

A prepayment which occurs at any point between the beginning and end of a computational period occurs in that computational period and the formula for a sum of balances rebate is not dependent upon or otherwise affected by which day in the computational period that happens to be.

In conclusion there is nothing in the Code that we can find which suggests that a day may be regarded as any period other than one (1) day, twenty-four (24) hours, 1/30th of a month and 1/7th of a week.

Irvin D. Parker
Administrator

*The 12/9/76 amendment deleted the first sentence of the seventh paragraph and reworded the remaining sentence in that paragraph to eliminate reference to when a computational period begins and ends.