

**§3-404. Interlocking loans**

1. A lender who makes a consumer loan for the purpose of enabling a consumer to buy from a seller goods or services, is subject to all claims and defenses of the consumer against the seller arising from the sale of the goods and services if:

A. The cash price of the item with respect to which a dispute exists is in excess of \$50 and is made in this State by a seller who allows the consumer to purchase the goods or services pursuant to a lender credit card or similar arrangement involving third parties and the residence of the consumer is in this State and the consumer has made a good faith effort to communicate to the seller the existence of the dispute; [PL 1975, c. 284, §1 (AMD).]

B. The lender was a person having a legal relationship with the seller and the relationship was not remote or was a factor in making the sale or loan; [PL 1973, c. 762, §1 (NEW).]

C. The seller guaranteed the loan or otherwise assumed the risk of loss by the lender upon the loan; or [PL 1973, c. 762, §1 (NEW).]

D. The lender directly supplied the seller with a form used by the debtor to evidence or secure the loan. [PL 1973, c. 762, §1 (NEW).]

[PL 1981, c. 243, §§22, 26 (AMD).]

2. The lender's liability under this section may not exceed the amount owing to the lender with respect to the cash price of the disputed item at the time the lender has notice of a claim or defense of the buyer against the seller. If 2 or more consumer loans, other than pursuant to a revolving loan account, are consolidated, payments received after the consolidation are deemed, for the purpose of determining the amount owing the lender with respect to the sale, to have been first applied to the payment of the loans first made; if the loans consolidated arose from sales made on the same day, payments are deemed to have been first applied to the smallest loan. Payments received upon open-end credit are deemed, for the purpose of determining the amount owing the lender with respect to the sale, to have been first applied to the payment of finance charges in the order of their entry to the account and then to the payment of loans in the order in which the entries to the account showing the loans were made.

[PL 1975, c. 284, §2 (AMD).]

**SECTION HISTORY**

PL 1973, c. 762, §1 (NEW). PL 1975, c. 284, §§1,2 (AMD). PL 1981, c. 243, §§22,26 (AMD). PL 1981, c. 551, §3 (AMD).

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