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Vermont Department of Financial Regulation

BANKING BULLETIN # 38

November 1, 2012

Clarification of Declared Rate for 9 V.S.A. §104 (High Rate Loans) and Reg. B-98-2 (High Rate, High Point Notices for Residential Real Estate Loans)

This Bulletin clarifies the Declared Rate for purposes of 9 V.S.A. §104 (High Rate Loans) and Regulation B-98-2 (High Rate, High Point Notices for Residential Real Estate Loans).

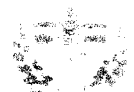
Both 9 V.S.A. §104 and Regulation B-98-2 refer to 32 V.S.A. §3108 for purposes of establishing the Declared Rate. Title 32 V.S.A. §3108 was amended by Act No. 143 of the 2012 Vermont legislative session. As amended, §3108 establishes an interest rate to be applied to the overpayment of taxes (“overpayment rate”) and then establishes a different interest rate to be applied to the underpayment of taxes (“underpayment rate”). An October 16, 2012 memorandum from the Commissioner of Taxes establishes the overpayment rate at 3.6% and establishes the underpayment rate at 5.6% for calendar year 2013. (A copy of the Commissioner of Taxes memorandum is attached to this Bulletin.)

The establishment of two rates under §3108 could create confusion about which rate applies for purposes of 9 V.S.A. §104 and Regulation B-98-2. To avoid such confusion, the Commissioner declares that the Declared Rate for purposes of 9 V.S.A. §104 and Regulation B-98-2 shall be the overpayment rate established by 32 V.S.A. §3108.

Consequently, for purposes of 9 V.S.A. §104 and Regulation B-98-2 the Declared Rate for calendar year 2013 shall be 3.6%.



Stephen W. Kimbell, Commissioner
Vermont Department of Financial Regulation



MEMORANDUM

TO: Commissioner, Deputy Commissioner, General Counsel,
Division Directors, Policy Analysts and Staff Attorneys

FROM: Susan Mesner, Senior Economist

DATE: October 16, 2012

SUBJECT: 2013 Interest Rates

Act 143 (2012) amended the law that governs the calculation of interest rates in Vermont for underpayment and overpayment of tax liabilities. The annual rate for overpayments is now rounded up to the nearest quarter percent, with the quarterly rate rounded to the nearest whole tenth of a percent. The annual rate for underpayments is set at 200 basis points above the rate for overpayments.


The average prime loan rate charged by banks (as determined by the Board of Governors of the Federal Reserve System) for the 12-month period beginning October 1, 2011 and ending September 30, 2012 was 3.25%. Rounded up to the nearest quarter percent, the annual rate for 2012 is 3.25%. When converted to a monthly rate, the result is 0.27% per month.

Under 32 V.S.A. § 3108(a), the monthly rate is rounded up to the nearest whole tenth of a percent, producing an **interest rate in 2013 of 0.3% per month for overpayments, and an annual rate of 3.6%**. The **2013 annual interest rate for underpayments is 5.6%, or 0.5% per month.**

These rates apply to interest that accrues in calendar year 2013.

10/16/12
Date

APPROVED: _____



Mary Peterson
Commissioner of Taxes