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§12–109.1.

(a) The provisions of this section do not apply to escrow accounts maintained in connection with loans described in § 12–103(e)(1) of this subtitle.

(b) Except in a foreclosure, release, or as provided in subsection (c) of this section, funds in any escrow account for use in paying taxes, insurance premiums and ground rents may not be used to:

- (1) Reduce the principal; or
- (2) Pay interest or other loan charges.

(c) If there is periodically a balance in the escrow account that exceeds the amount provided for in the note, loan agreement, or security instrument, the borrower shall be given at least annually the option of:

- (1) Receiving a refund of the excess amount;
- (2) Applying the excess amount to the payment of principal and interest;

or

- (3) Leaving the excess amount in the escrow account.

(d) A refund of any excess amount shall be made:

(1) Within 60 days after the receipt by the lender of the borrower's request for a refund; or

(2) If the borrower has not notified the lender of the option chosen by the borrower under subsection (c) of this section, within 60 days after the date the lender mailed notice of the excess amount to the borrower.

(e) (1) Subject to paragraph (3) of this subsection, if, after recalculating the amount that is required to be maintained in escrow under a first mortgage or first deed of trust on residential real property, a lender or a servicer of a loan determines that the amount that a borrower is required to pay must increase, the lender or servicer may not include, for a 1-year period after the determination is made, the amount of the increase in escrow payments in any calculation of the amount of interest or any fee due under the loan.

(2) This subsection may not be construed to limit the ability of a lender or a servicer of a loan to impose a late fee for any escrow payment that is due and not timely paid.

(3) (i) In this paragraph, “other expenses” does not include money required by a lender or a servicer of a loan for an escrow account cushion as permitted by the federal Real Estate Settlement Procedures Act.

(ii) A lender or a servicer of a loan may charge interest to a borrower on the amount of funds the lender or servicer advances to pay taxes, insurance premiums, or other expenses owed by the borrower in order to protect the security of the loan.

(iii) Interest may be charged by a lender or a servicer of a loan under subparagraph (ii) of this paragraph only if:

1. The lender or servicer advances its own funds because funds of the borrower were not available to pay the taxes, insurance premiums, or other expenses owed by the borrower;

2. The need for the advance was not caused by an error of the lender or servicer in servicing the loan;

3. The lender or servicer provides notice to the borrower that the advance was made and that interest will be charged on the advance;

4. Interest does not begin to accrue until 60 days after notice has been provided to the borrower in accordance with item 3 of this subparagraph;

5. Interest is charged only on the amount of funds actually advanced by the lender or servicer after the lender or servicer has used all available funds of the borrower to pay taxes, insurance premiums, or other expenses owed by the borrower; and

6. The borrower is permitted to repay the advance as permitted by the federal Real Estate Settlement Procedures Act.

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