

## Article - Commercial Law

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§12–312.

(a) (1) In this section the following words have the meanings indicated.

(2) “Covered loan” means a mortgage loan made under this subtitle that meets the criteria for a loan subject to the federal Home Ownership Equity Protection Act set forth in 15 U.S.C. § 1602(bb), as modified from time to time by Regulation Z, 12 C.F.R. Part 1026, except that the comparison percentages for the mortgage loan shall be one percentage point less than those specified in 15 U.S.C. § 1602(bb), as modified from time to time by Regulation Z, 12 C.F.R. Part 1026.

(3) “Credit health insurance” has the meaning stated in § 13–101 of the Insurance Article.

(4) “Credit involuntary unemployment benefit insurance” has the meaning stated in § 13–101 of the Insurance Article.

(5) (i) “Credit life insurance” means insurance on the life of a borrower that provides indemnity for repayment of a specific loan or credit transaction on the death of the borrower.

(ii) “Credit life insurance” does not include life insurance payable to a beneficiary designated by the borrower other than the obligee of a specific loan or credit transaction.

(6) “Mortgage loan” has the meaning stated in § 11–501 of the Financial Institutions Article.

(7) “Premium” has the meaning stated in § 1–101 of the Insurance Article.

(8) “Single premium coverage” means insurance for which the total premium is payable in one lump sum at or before the time coverage commences.

(b) Subject to the provisions of this section, a lender may collect from the borrower, at the option of the borrower, the premiums paid for:

(1) Insurance covering any real or personal property pledged as security for the loan;

(2) Credit health insurance covering any one or more borrowers, if the insurance does not provide for benefits exceeding the actual period of disability;

(3) Credit life insurance:

(i) Covering any one borrower for any loan under \$700 in value or

amount; or

(ii) Covering any one or more borrowers for any loan of \$700 or more in value or amount; and

(4) Credit involuntary unemployment benefit insurance covering any one borrower, if the insurance:

(i) Does not provide for benefits exceeding the actual period of unemployment; and

(ii) Is not contingent upon the purchase of any other type of insurance permitted under this subtitle.

(c) (1) A lender may not require that the insurance be purchased through a particular insurance producer or insurance company.

(2) The lender may:

(i) Assist an applicant or act with the applicant in forwarding an application to an insurance producer; and

(ii) Receive and transmit premiums or other identifiable charges for the insurance.

(3) Subject to subsection (e) of this section, at the option of the borrower, a lender may be coinsured or protected to the extent of his interest by a mortgagee clause.

(d) (1) (i) Subject to subsection (e) of this section, the amount of property insurance may not exceed either the reasonable value of the property insured or the originally scheduled total of payments under the loan contract.

(ii) The terms and conditions of the property insurance policy shall be filed with and approved by the Insurance Commissioner.

(iii) Property insurance may be provided by the lender if the borrower, at the time the loan is made, fails to furnish a loss payable endorsement for the protection of the lender in an amount sufficient to cover the amount of the loan or the value of the property securing the loan, whichever is less.

(iv) If, however, within 30 days of the inception date of the loan, the borrower does provide a loss payable endorsement for the protection of the lender, and no claim has been filed under the coverage purchased, the lender shall cancel the property insurance on the loan and shall refund the entire original property insurance premium to the borrower.

(v) A lender providing property insurance under this section shall give the borrower, at the time the loan is made, a written notice of the borrower's right

to provide a loss payable endorsement for the protection of the lender and the borrower's right to a refund of the entire property insurance premium.

(2) Credit health insurance shall provide for:

(i) Benefits not exceeding the then scheduled unpaid total of payments of the loan;

(ii) A waiting period of at least 14 days; and

(iii) Periodic benefits, the amount of each of which may not exceed the originally scheduled total of payments under the loan contract, divided by the number of installments.

(3) The amount of credit life insurance in force may not exceed the unpaid principal but shall include all accrued interest under the loan contract.

(4) Credit involuntary unemployment benefit insurance shall provide that, in the event of involuntary loss of employment, the aggregate amount of periodic benefits payable in the event of involuntary loss of employment, as defined in the policy, may not exceed the then scheduled unpaid total of payments of the loan.

(5) (i) Except as provided in this paragraph, a person making a covered loan may not finance as a part of the covered loan transaction single premium coverage for:

1. Credit health insurance;

2. Credit involuntary unemployment benefit insurance; or

3. Credit life insurance.

(ii) Nothing in this paragraph shall prohibit the financing of any insurance coverage in connection with a mobile home or its premises, as those terms are defined in § 8A-101 of the Real Property Article.

(e) (1) In this subsection, "property insurance coverage" means property insurance against losses caused by perils that commonly are covered in insurance policies described with terms similar to "standard fire" or "standard fire with extended coverage".

(2) (i) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of improvements on the real property.

(ii) In determining the replacement value of the improvements on

any real property, the lender may:

1. Accept the value placed on the improvements by the insurer; or

2. Use the value placed on the improvements that is determined by the lender's appraisal of the real property.

(3) A violation of this subsection or of subsection (c)(1) of this section shall entitle the borrower to seek:

(i) An injunction to prohibit the lender who has engaged or is engaging in the violation from continuing or engaging in the violation;

(ii) Reasonable attorney's fees; and

(iii) Damages directly resulting from the violation.

(4) A violation of this subsection or of subsection (c)(1) of this section does not affect the validity of the first mortgage or first deed of trust securing the loan.

(f) Under this subtitle, insurance may be obtained only:

(1) From an insurance company qualified to do business in the State; and

(2) At rates not exceeding those approved by the Insurance Administration.

(g) Within 25 days after a lender has charged for any insurance in connection with a loan, he shall deliver a copy of the appropriate policy or certificate to the borrower.

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