

Article - Commercial Law

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§12-407.

- (a) (1) In this section the following words have the meanings indicated.
- (2) “Commissioner” has the meaning stated in § 12-301(b) of this article.
- (3) “Cost of the loan” means the total amount of:
 - (i) As nearly as the same can be determined, the charges payable by the borrower for the loan under §§ 12-405(a) and (b) and 12-410 of this subtitle; and
 - (ii) The interest which will be charged if the loan is carried to maturity.
- (b) At the time a loan is made, the lender shall deliver to the borrower a statement in a form required by the Commissioner that complies with § 12-106(b) of this title.
- (c) (1) Except as provided in paragraph (2) of this subsection, at the time a lender receives a payment on account of a loan, the lender shall give to the borrower a plain and complete receipt for the payment.
 - (2) If the payment is made by personal check, money order, cashier’s check, or treasurer’s check, the lender need give a receipt to the borrower only on the request of the borrower.
- (d) (1) A lender shall permit a borrower to prepay a loan in full or in part at any time, without penalty.
 - (2) If a borrower prepays a loan in full, he shall receive a refund credit for the interest taken in advance. The amount of the refund shall be calculated in accordance with subsection (f) of this section.
- (e) (1) After full repayment of a loan, the lender shall:
 - (i) Indelibly mark with the word “paid” or “canceled” and return each note or other paper signed by the borrower; and
 - (ii) Release the mortgage, deed of trust, security agreement, or other lien.
 - (2) The lender shall prepare the release of the mortgage, deed of trust, security agreement, or other lien at his own expense.
- (f) If interest charged pursuant to this subtitle in respect of a loan to a

borrower has been precomputed, then, in the event of prepayment of the entire loan, the lender shall refund or credit to the borrower the unearned portion of the precomputed interest charge. This refund or credit shall be in an amount not less than the amount which would be refunded or credited if the unearned precomputed interest charge were calculated in accordance with the actuarial method, except that the borrower may not be entitled to a refund or credit of less than \$5. The unearned portion of the precomputed interest charge is, at the option of the lender, either:

(1) That portion of the precomputed interest charge which is allocable to all originally scheduled, or, if deferred, all deferred payment periods, or portions of payment periods, ending subsequent to the date of prepayment. The unearned precomputed interest charge is the total of that which would have been earned for each period, or portion of a period, had the loan not been precomputed, by applying to the unpaid balances of principal, according to the actuarial method, an annual percentage rate based on the precomputed interest charges, assuming that all payments were made as scheduled, or as deferred, if deferred. The lender, at its option, may round this annual percentage rate to the nearest 1/4 of 1 percent; or

(2) The total precomputed interest charge less the earned precomputed interest charge. The earned precomputed interest charge shall be determined by applying an annual percentage rate based on the total precomputed interest charge, under the actuarial method, to the unpaid balances for the actual time those balances were unpaid up to the date of prepayment.

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