

Article - Commercial Law

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§12-909.

(a) In connection with a plan established for a consumer borrower:

(1) The purchase of credit life, credit accident and health, credit disability, involuntary unemployment benefit, and similar coverages is optional with the consumer borrower; and

(2) Subject to § 12-909.1 of this subtitle, the purchase of property insurance, title insurance, and credit loss insurance from an insurer of the borrower's choice may be required if the loan is secured.

(b) The provisions of this section do not alter or modify rights, privileges, or restrictions heretofore existing between the credit grantor and a nonconsumer borrower.

(c) Premiums for any insurance coverage permitted by this section are not interest or finance charges under the plan.

(d) The offering and placement of insurance under this section shall be subject to the provisions of the Insurance Article.

(e) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Improvements" means buildings or structures erected upon or affixed to real property that enhance the value of the real property.

(iii) "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".

(iv) 1. "Replacement cost" means the amount needed to repair damage to or rebuild improvements on real property to restore the improvements to their pre-loss condition.

2. "Replacement cost" does not include the value of land.

(2) (i) A credit grantor may not require a borrower, as a condition to receiving or maintaining a loan secured by a lien, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement cost of the improvements on the real property.

(ii) In determining the replacement cost of the improvements on any real property, the credit grantor may:

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

2. Use the value placed on the improvements by the credit grantor's appraisal of the improvements.

(3) A violation of this subsection shall entitle the borrower to:

(i) Seek an injunction to prohibit the credit grantor 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 does not affect the validity of the lien securing the loan.

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