

HOUSE BILL 603

I2, I1

9lr2177
CF SB 825

By: **Delegate D.E. Davis**

Introduced and read first time: February 6, 2019

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Consumer Loan Law – Credit and Licensing Provisions**

3 FOR the purpose of altering the application of certain provisions of the Maryland Consumer
4 Loan Law; providing that compliance with a certain federal law and certain federal
5 regulations constitute compliance with certain provisions of the Maryland Consumer
6 Loan Law; altering the maximum interest rates that a certain lender may charge for
7 certain loans; repealing a requirement that a certain lender comply with certain
8 provisions of law if a certain loan includes a provision for a rate of interest that may
9 be adjusted by the lender during the term of the loan; requiring a certain loan to be
10 amortized in a certain manner; repealing a certain exception to a certain prohibition
11 on balloon payments; requiring a certain loan to have a certain maturity date;
12 prohibiting certain loan documents from including a certain acceleration clause;
13 repealing a certain provision of law regarding the calculation of certain charges;
14 repealing certain limits on the maximum term of certain loans; authorizing a certain
15 lender to blend certain interest rates to arrive at the interest rate applicable to a
16 certain loan; prohibiting a certain lender from charging a deferral fee under certain
17 circumstances; providing that interest continues to accrue at a certain rate during a
18 certain deferral period; altering the fees and charges that a certain lender may collect
19 from a certain borrower; altering the requirements for certain disclosures at the time
20 a certain loan is made; altering requirements for a certain billing or account
21 statement; alerting an exception to a requirement that a certain lender issue a
22 certain receipt; requiring certain partial prepayments to be applied first to certain
23 fees and charges; requiring a certain lender to refund or credit to a certain borrower
24 certain unearned premiums, under certain circumstances; repealing a requirement
25 that a certain lender making or offering to make a certain loan secured by residential
26 real property comply with certain provisions of law; repealing certain provisions of
27 law regarding the liability of a certain lender for claims arising from the sale of
28 certain goods and services; repealing a prohibition on a certain lender taking a
29 security interest in real property for a loan under a certain value; altering the factors
30 a certain lender must consider in giving due regard to a certain borrower's ability to
31 repay a certain loan; altering the application of certain provisions of law regarding

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 the security for a certain loan; expanding the types of insurance for which a certain
2 lender may collect certain premiums from a borrower; requiring that property
3 insurance covering a certain motor vehicle comply with State law coverage
4 requirements; authorizing a certain lender to obtain property on certain collateral if
5 a certain policy lapses or is cancelled by the insurer; repealing a provision of law
6 requiring certain credit health insurance to include certain periodic benefits;
7 prohibiting a certain lender from requiring a borrower to purchase credit life
8 insurance, credit health insurance, or credit involuntary unemployment insurance
9 in any amount; prohibiting a certain lender from requiring a borrower to enter into
10 a debt cancellation agreement; repealing a prohibition on a certain lender requiring
11 a borrower, as a condition to receiving or maintaining a loan secured by a first
12 mortgage or first deed of trust, to provide or purchase certain property insurance in
13 an amount exceeding a certain value; altering the circumstances under which a loan
14 is not void and unenforceable due to a certain clerical error or mistake; repealing a
15 certain provision of law concerning the validity of certain loan transactions made in
16 another state; prohibiting a certain action or claim relating to a violation of the
17 Maryland Consumer Loan Law from being brought more than a certain number of
18 months after a certain loan is satisfied; repealing a certain penalty for the violation
19 of certain provisions of law; altering the intent element applicable to certain
20 violations of the Maryland Consumer Loan Law – Credit Provisions; providing that
21 a certain person is not subject to a certain penalty if the person, in good faith, relied
22 on a certain published advisory or used a certain form; exempting certain persons
23 from certain licensing requirements under the Maryland Consumer Loan Law under
24 certain circumstances; repealing obsolete provisions of law concerning the transfer
25 of certain licensing information to the Nationwide Mortgage Licensing System and
26 Registry; authorizing a certain licensee to make a loan through a certain website;
27 authorizing a certain licensee to solicit and accept an application for a loan by
28 electronic means, including through the Internet; altering the beneficiaries and
29 conditions of a certain surety bond; repealing a provision prohibiting the liability of
30 a certain surety from being affected by a certain licensee’s failure to pay a premium;
31 prohibiting the liability of a certain surety from being affected by the surrender or
32 revocation of a certain licensee’s license; altering the amount of time for which a
33 certain licensee must maintain records of a certain loan; repealing a prohibition on
34 a certain licensee selling a loan account to a person who is not licensed under the
35 Maryland Consumer Loan Law; altering the intent element and the penalties for
36 certain violations of the Maryland Consumer Loan Law – Licensing Provisions;
37 defining certain terms; altering certain definitions; making certain technical,
38 stylistic, and clarifying changes; and generally relating to the Maryland Consumer
39 Loan Law.

40 BY repealing and reenacting, with amendments,

41 Article – Commercial Law

42 Section 12–301, 12–303 through 12–307.1, 12–308, 12–310 through 12–312, 12–314,
43 12–316, 12–316.1, and 12–317

44 Annotated Code of Maryland

45 (2013 Replacement Volume and 2018 Supplement)

1 BY repealing and reenacting, without amendments,
2 Article – Commercial Law
3 Section 12–302
4 Annotated Code of Maryland
5 (2013 Replacement Volume and 2018 Supplement)

6 BY repealing
7 Article – Commercial Law
8 Section 12–309
9 Annotated Code of Maryland
10 (2013 Replacement Volume and 2018 Supplement)

11 BY adding to
12 Article – Commercial Law
13 Section 12–315.1
14 Annotated Code of Maryland
15 (2013 Replacement Volume and 2018 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article – Financial Institutions
18 Section 11–201, 11–202, 11–203.1, 11–204, 11–206, 11–213, 11–215, 11–222, and
19 11–223
20 Annotated Code of Maryland
21 (2011 Replacement Volume and 2018 Supplement)

22 BY repealing
23 Article – Financial Institutions
24 Section 11–219
25 Annotated Code of Maryland
26 (2011 Replacement Volume and 2018 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
28 That the Laws of Maryland read as follows:

29 **Article – Commercial Law**

30 12–301.

31 (a) In this subtitle the following words have the meanings indicated.

32 (b) “Commissioner” means the Commissioner of Financial Regulation.

33 (c) “CONSUMER CREDIT REPORTING AGENCY” HAS THE MEANING STATED
34 IN THE FEDERAL FAIR CREDIT REPORTING ACT.

35 (d) “DEBT CANCELLATION AGREEMENT” MEANS AN AGREEMENT BETWEEN
36 A LENDER AND A BORROWER THAT PROVIDES FOR CANCELLATION OF THE

1 **OUTSTANDING BALANCE PAYABLE UNDER A LOAN IN THE EVENT OF THEFT OR**
2 **TOTAL DESTRUCTION OF THE COLLATERAL FOR THE LOAN MINUS THE PROCEEDS**
3 **OF ANY INSURANCE MAINTAINED ON THE COLLATERAL OR, IF THE BORROWER DOES**
4 **NOT HAVE INSURANCE, THE ACTUAL CASH VALUE OF THE COLLATERAL AT THE TIME**
5 **OF LOSS, DETERMINED AS PROVIDED IN THE AGREEMENT.**

6 **[(c)] (E)** “Lender” means a licensee or a person who makes a loan subject to this
7 subtitle.

8 **[(d)] (F)** “Licensee” means a person who is required to be licensed under Title
9 11, Subtitle 2 of the Financial Institutions Article, the Maryland Consumer Loan Law –
10 Licensing Provisions, regardless of whether the person is actually licensed.

11 **[(e)] (G)** (1) “Loan” means any loan or advance of money or credit subject to
12 this subtitle, regardless of whether the loan or advance of money or credit is or purports to
13 be made under this subtitle.

14 (2) “Loan” does not include [an]:

15 (I) AN installment sale agreement as defined in § 12–601 of this
16 title; OR

17 (II) AN EXTENSION OF CREDIT SUBJECT TO SUBTITLE 1,
18 SUBTITLE 4, SUBTITLE 9, OR SUBTITLE 10 OF THIS TITLE.

19 (H) “OUTSTANDING BALANCE”, WITH RESPECT TO A DEBT CANCELLATION
20 AGREEMENT, DOES NOT INCLUDE:

21 (1) ANY DELINQUENT OR DEFERRED PAYMENTS;

22 (2) PAST DUE CHARGES;

23 (3) LATE PAYMENT CHARGES;

24 (4) UNEARNED INTEREST;

25 (5) UNEARNED RENTAL PAYMENTS;

26 (6) THE PORTION OF ANY FINANCED TAXES OR CHARGES, INCLUDING
27 CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH INSURANCE, CREDIT
28 INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, OR MECHANICAL REPAIR
29 CONTRACTS, ACTUALLY REFUNDED TO THE BORROWER OR CREDITED AS A
30 REDUCTION TO THE LOAN BALANCE; OR

1 **(7) BY AGREEMENT OF THE PARTIES, THE AMOUNT OF ANY PRIMARY**
2 **INSURANCE DEDUCTIBLE.**

3 **[(f)] (I)** “Person” includes an individual, corporation, **LIMITED LIABILITY**
4 **COMPANY**, business trust, statutory trust, estate, trust, partnership, association, two or
5 more persons having a joint or common interest, or any other legal or commercial entity.

6 **(J) “RATE”, WITH RESPECT TO AN INTEREST RATE, MEANS AN “ANNUAL**
7 **PERCENTAGE RATE”, AS DEFINED IN THE FEDERAL TRUTH IN LENDING ACT AND**
8 **THE REGULATIONS ADOPTED UNDER THAT ACT.**

9 **[(g)] (K)** “Wages” means all remuneration paid to any employee for the
10 employee’s employment, including the cash value of all remuneration paid in any medium
11 other than cash.

12 12–302.

13 A person may not engage in the business of making loans under this subtitle unless
14 the person is licensed under or is exempt from the licensing requirements of Title 11,
15 Subtitle 2 of the Financial Institutions Article, the Maryland Consumer Loan Law —
16 Licensing Provisions.

17 12–303.

18 (a) (1) This subtitle applies to a loan of \$25,000 or less made for personal,
19 family, or household purposes.

20 (2) Except as provided in paragraph (3) of this subsection, this subtitle
21 applies regardless of:

22 (i) Whether the transaction is or purports to be made under this
23 subtitle;

24 (ii) Whether the transaction is or purports to be an installment loan;

25 (iii) The duration of the repayment period;

26 (iv) Whether the transaction is or purports to be nonrecourse or
27 contingent; and

28 (v) Whether the transaction purports to be the purchase of wages,
29 pensions, governmental benefits, or other similar future payment streams.

30 (3) This subtitle does not apply to:

31 (i) A plan or loan for which a written election has been made under

1 Subtitle 1, Subtitle 4, Subtitle 9, or Subtitle 10 of this title;

2 (ii) A loan made by an individual [provided] IF the individual:

3 1. Does not make more than three loans in a calendar year;

4 and

5 2. Does not engage in the business of making loans; or

6 (iii) A loan between an employer and an employee.

7 (b) A lender may not make a loan subject to this subtitle unless the loan is in an
8 original amount or value which does not exceed \$25,000.

9 (c) (1) The purpose of this subsection is to prevent evasion of the provisions of
10 this subtitle by means of a purchase or assignment of wages.

11 (2) For the purposes of this subtitle:

12 (i) The payment of \$25,000 or less in money, credit, goods, or things
13 in action as consideration for any sale, assignment, or order for the payment of wages,
14 whether earned or to be earned, is considered a loan of money secured by the sale,
15 assignment, or order for payment of wages; and

16 (ii) The amount by which the wages exceed the consideration paid
17 for them is considered interest or charges on the loan from the date of the payment to the
18 date the wages are payable.

19 (3) [The] A transaction described in this subsection is governed by and
20 subject to the provisions of this subtitle.

21 (d) This subtitle applies but is not limited to a lender who[:

22 (1) As] AS security for a loan[, use, or forbearance of money, goods, or
23 things in action or for any loan, use, or sale of credit, whether or not the transaction is or
24 purports to be made under this subtitle,] **OR OTHER EXTENSION OF CREDIT OF \$25,000**
25 **OR LESS** makes a pretended purchase of **PERSONAL** property from any person and permits
26 the owner or pledgor to retain possession of the **PERSONAL** property[: or

27 (2) By any device or pretense of charging for his services or otherwise,
28 seeks to obtain any interest, charges, discount, or like consideration].

29 (e) (1) A lender [who lends or contracts to lend an amount which exceeds
30 \$25,000] may not, **IN CONNECTION WITH ANY LOAN MADE UNDER THIS SUBTITLE**,
31 directly or indirectly contract for, charge, or receive any interest, fee, or other charge in
32 excess of that [which the lender would be permitted to charge if the lender were not

1 authorized to make loans] **EXPRESSLY AUTHORIZED** under this subtitle.

2 (2) The provisions of this subsection apply to any debt [in excess of \$25,000
3 which] **THAT** is directly or contingently owed or contracted to be so owed by any person
4 jointly or severally[:

5 (i) Whether], **WHETHER** as a borrower, an endorser, guarantor, [or]
6 surety for a borrower, or [otherwise; and

7 (ii) Whether the debt is part of a single transaction or the aggregate
8 of more than one transaction] **OTHER OBLIGOR, PURSUANT TO A LOAN UNDER THIS**
9 **SUBTITLE.**

10 (3) **A LENDER MAY NOT DIVIDE A SINGLE LOAN INTO MULTIPLE**
11 **LOANS FOR THE PURPOSE OF CHARGING A RATE THAT EXCEEDS THE MAXIMUM RATE**
12 **AUTHORIZED UNDER THIS SUBTITLE FOR A SINGLE LOAN IN THE AGGREGATE**
13 **PRINCIPAL AMOUNT OF THE DIVIDED TRANSACTIONS.**

14 12-304.

15 (a) A lender may not directly or indirectly print, publish, distribute, or broadcast
16 any false, misleading, or deceptive statement regarding the rates, terms, or conditions of a
17 loan.

18 (b) (1) If charges or rates [of charges] **FOR A LOAN** are advertised by a
19 licensee, the Commissioner may require [him] **THE LICENSEE** to state [them] **THE**
20 **CHARGES OR RATES** fully and clearly in any manner the Commissioner considers
21 necessary to prevent misunderstanding by a prospective borrower.

22 (2) Subject to any condition which the Commissioner may impose to
23 prevent a false impression regarding the scope or degree of protection provided by this
24 subtitle, the Commissioner may [permit] **ALLOW** or require a licensee to refer in [his]
25 advertising to the fact that [his] **THE** business is [under State supervision] **LICENSED BY**
26 **THE COMMISSIONER.**

27 12-305.

28 (a) In granting or denying an application for a loan, a licensee may not
29 discriminate against any loan applicant [only] on the basis of race, color, creed, national
30 origin, sex, marital status, or age.

31 (b) (1) [A licensee is not in violation of this section if the licensee is in
32 compliance with the federal Equal Credit Opportunity Act and the regulations adopted
33 under that act] **COMPLIANCE WITH THE FEDERAL EQUAL CREDIT OPPORTUNITY**
34 **ACT AND THE REGULATIONS ADOPTED UNDER THAT ACT SHALL CONSTITUTE**

1 COMPLIANCE WITH THIS SECTION.

2 (2) Denying an application for a loan by an applicant who is a minor is not
3 discrimination on the basis of age.

4 12-306.

5 (a) (1) Except as provided in subsections (b) and (c) of this section, a lender
6 may charge interest on a loan at a rate not [more than] **EXCEEDING** the rates specified in
7 this subsection.

8 (2) For any loan with an original principal balance of [\$2,000] **\$25,000** or
9 less, the maximum interest rate is:

10 (i) [2.75 percent] **2.75%** interest per month on that part of the
11 [unpaid] **ORIGINAL** principal balance **THAT IS** not more than [\$500] **\$10,000**;

12 (ii) [2 percent] **2%** interest per month on that part of the [unpaid]
13 **ORIGINAL** principal balance that is more than [\$500] **\$10,000** but not more than [\$700]
14 **\$15,000**; and

15 (iii) [1.25 percent] **1.25%** interest per month on that part of the
16 [unpaid] **ORIGINAL** principal balance that is more than [\$700] **\$15,000 BUT NOT MORE**
17 **THAN \$25,000**.

18 (3) [For any loan with an original principal balance of more than \$2,000
19 and not more than \$3,500, the maximum interest rate is 1.75 percent interest per month
20 on the unpaid principal balance of the loan.

21 (4) For any loan with an original principal balance of more than \$3,500 and
22 not more than \$5,000, the maximum interest rate is 1.5 percent interest per month on the
23 unpaid principal balance of the loan.

24 (5) For any loan with an original principal balance of more than \$5,000,
25 the maximum interest rate is 1.35 percent interest per month on the unpaid principal
26 balance of the loan.

27 (6) Notwithstanding the provisions of paragraphs (2) through (5) of this
28 subsection on any loan made on or after July 1, 1982, a lender under this subtitle may
29 charge interest not exceeding the following rates:

30 (i) For any loan with an original principal balance of \$2,000 or less,
31 2.75 percent interest per month on that part of the unpaid principal balance not more than
32 \$1,000 and 2 percent interest per month on that part of the unpaid principal balance that
33 is more than \$1,000;

1 (ii) For any loan with an original principal balance of more than
2 \$2,000, the maximum rate of interest is 2 percent per month on the unpaid principal
3 balance of the loan.

4 (7) A loan may be made pursuant to [paragraph (6) of this subsection] **THIS**
5 **SUBTITLE** provided that:

6 (i) [If the loan is a renewal or refinancing of a loan made prior to
7 July 1, 1982, the lender complies with § 12–116 of this title;

8 (ii) If the loan includes a provision for a rate of interest which may
9 be adjusted by the lender during the term of the loan, the lender complies with § 12–118 of
10 this title;

11 (iii) Upon] **ON** the borrower's default, if the loan is secured by
12 personal property, the lender complies with § 12–115 of this title concerning repossession
13 and redemption of the goods securing the loan; [and]

14 [(iv)] **(II)** The loan **IS AMORTIZED IN EQUAL OR SUBSTANTIALLY**
15 **EQUAL PAYMENTS AND** does not include a balloon payment[, unless payment in full is due
16 on demand or in 1 year or less];

17 **(III)** **THE LOAN HAS A MATURITY DATE THAT IS AT LEAST 12**
18 **MONTHS BUT NOT MORE THAN 84 MONTHS AFTER THE LOAN IS MADE; AND**

19 **(IV)** **THE INSTRUMENT THAT EVIDENCES OR SECURES THE LOAN**
20 **DOES NOT CONTAIN AN ACCELERATION CLAUSE UNDER WHICH ANY PART OR ALL OF**
21 **THE UNPAID BALANCE OF THE LOAN NOT YET MATURED MAY BE DECLARED DUE AND**
22 **PAYABLE SOLELY BECAUSE THE LENDER DEEMS ITSELF TO BE INSECURE.**

23 (b) [If] **EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION, IF** any
24 principal balance remains unpaid 6 months after the loan matures as originally scheduled
25 or deferred, the lender may not contract for, charge, or receive interest at a rate exceeding
26 [6 percent simple interest] **6%** per annum on the actual unpaid principal balances from
27 time to time.

28 (c) If the lender refinances a loan [in the ordinary course of business, he] **THAT**
29 **THE LENDER ORIGINATED UNDER THIS SUBTITLE, THE LENDER** may not add to the
30 principal balance or deduct from the proceeds of the new loan more than 60 days' interest
31 then due.

32 (d) [(1)] The lender shall compute interest on the actual unpaid principal
33 balances outstanding from time to time, and [he] **THE LENDER** may not contract for,
34 charge, or receive interest in advance or compounded interest.

1 [(2) For each day on which an unpaid principal balance is outstanding, the
2 lender may charge on that unpaid balance 1/30th of the interest permitted under this
3 subtitle to be charged for 1 month.

4 (3) For purposes of this section, each of the 12 calendar months in the year
5 shall be treated as having 30 days, as follows:

6 (i) The last day of each month which has 31 days shall be omitted;
7 and

8 (ii) The necessary number of days shall be added at the end of
9 February to make 30 days.

10 (e) The maximum term of any loan made under this subtitle may not exceed:

11 (1) For any loan with an original principal balance of \$700 or less, 30
12 months and 15 days;

13 (2) For any loan with an original principal balance of more than \$700 but
14 less than \$2,000, 36 months and 15 days; and

15 (3) For any loan with an original principal balance of \$2,000 or more, 72
16 months and 15 days.]

17 **(E) A LENDER MAY BLEND THE INTEREST RATES AUTHORIZED UNDER THIS**
18 **SECTION TO ARRIVE AT A SINGLE RATE APPLICABLE TO A LOAN.**

19 **(F) IF A LENDER ALLOWS A BORROWER TO DEFER ONE OR MORE PAYMENTS**
20 **UNDER A LOAN:**

21 **(1) THE LENDER MAY NOT CHARGE A DEFERRAL FEE; AND**

22 **(2) INTEREST SHALL CONTINUE TO ACCRUE AT THE LOAN CONTRACT**
23 **RATE DURING EACH DEFERRAL PERIOD AND, IF THE DEFERRAL OR DEFERRALS**
24 **EXTEND THE ORIGINAL TERM OF REPAYMENT, AFTER MATURITY FOR THE TERM OF**
25 **THE EXTENSION.**

26 **(G) FOR PURPOSES OF THIS SECTION, A YEAR MAY BE ANY PERIOD FROM**
27 **360 TO 366 DAYS, INCLUDING OR DISREGARDING THE EFFECT OF A LEAP YEAR, AS**
28 **THE LENDER MAY DETERMINE.**

29 12-307.

30 (a) [At the time a loan is made] **IF AUTHORIZED BY THE AGREEMENT, NOTE,**
31 **OR OTHER EVIDENCE OF THE LOAN, a lender may collect THE FOLLOWING FEES AND**

1 **CHARGES** from the borrower **IN CONNECTION WITH A LOAN MADE UNDER THIS**
2 **SUBTITLE:**

3 (1) [As to any item of the total property that secures a loan:

4 (i) The fees paid to a public official or governmental agency for
5 recording or satisfying a mortgage, encumbrance, or lien on any property securing the loan;
6 or

7 (ii) An equal or lesser amount for nonfiling insurance premium on
8 any property, or portion of the property, that is not recorded if:

9 1. The Insurance Commissioner approves the rates; and

10 2. A commission is not paid on the policy; and

11 (2) The title insurance premiums or reasonable attorney's fees paid for
12 searching and insuring the title to any real property securing the loan] **ATTORNEY'S FEES**
13 **FOR SERVICES RENDERED IN CONNECTION WITH THE PREPARATION, CLOSING, OR**
14 **DISBURSEMENT OF THE LOAN;**

15 (2) **ANY EXPENSE, TAX, OR CHARGE PAID TO A GOVERNMENTAL**
16 **AGENCY;**

17 (3) **FEES FOR EXAMINATION OF TITLE, APPRAISAL, OR OTHER COSTS**
18 **NECESSARY OR APPROPRIATE TO THE SECURITY OF THE LOAN;**

19 (4) **PREMIUMS FOR ANY INSURANCE COVERAGE AUTHORIZED UNDER**
20 **THIS SUBTITLE; AND**

21 (5) **FEES FOR ANY DEBT CANCELLATION AGREEMENT AUTHORIZED**
22 **UNDER THIS SUBTITLE.**

23 (B) **A LENDER:**

24 (1) **MAY CHARGE ONLY AN ACTUAL AND VERIFIABLE EXPENSE UNDER**
25 **SUBSECTION (A) OF THIS SECTION; AND**

26 (2) **MAY NOT RETAIN ANY PART OF THE EXPENSE.**

27 (C) (1) **A LENDER MAY CHARGE A SINGLE LATE FEE NOT EXCEEDING \$25**
28 **IF PAYMENT IS NOT RECEIVED WITHIN 10 DAYS AFTER THE PAYMENT BECOMES DUE.**

29 (2) **A BORROWER'S FAILURE TO PAY A PREVIOUSLY INCURRED LATE**

1 FEE WHEN MAKING A REGULAR PAYMENT UNDER THE LOAN DOES NOT TRIGGER AN
 2 ADDITIONAL LATE FEE UNDER THIS SUBSECTION, IF THE REGULAR PAYMENT IS
 3 RECEIVED IN FULL BY THE LENDER WITHIN 10 DAYS AFTER THE PAYMENT BECOMES
 4 DUE.

5 [(b)] (D) A lender may collect from the borrower a fee not exceeding \$15 if
 6 payment is made with a check that is dishonored on the second presentment.

7 (E) IF A BORROWER AUTHORIZES LOAN PAYMENTS TO BE MADE BY
 8 AUTOMATIC PAYMENT WITHDRAWALS FROM THE BORROWER'S CHECKING ACCOUNT
 9 OR OTHER ACCOUNT, AND THE BORROWER'S FINANCIAL INSTITUTION REFUSES TWO
 10 CONSECUTIVE WITHDRAWAL REQUESTS FROM THE LENDER, THE LENDER MAY:

11 (1) COLLECT A FEE NOT EXCEEDING \$15; AND

12 (2) CANCEL THE BORROWER'S AUTOMATIC PAYMENT
 13 AUTHORIZATION.

14 (F) FEES, CHARGES, AND PREMIUMS AUTHORIZED UNDER THIS SECTION
 15 MAY NOT BE CONSIDERED INTEREST WITH RESPECT TO A LOAN.

16 12-307.1.

17 [(a) On any loan with an original principal balance of more than \$2,000, if] IF a
 18 borrower defaults under the terms of a loan and the lender refers the borrower's account
 19 for collection to an attorney who is not a salaried employee of the lender, and if the note,
 20 contract, or other evidence of the loan permits, the lender may charge and collect from the
 21 borrower court costs and REASONABLE attorney's fees AWARDED BY THE COURT not
 22 exceeding [15 percent] 15% of the amount due and payable under the terms of the loan.

23 [(b) On any loan with an original principal balance of \$2,000 or less, if a borrower
 24 defaults under the terms of a loan and the lender refers the borrower's account for collection
 25 to an attorney who is not a salaried employee of the lender, and if the note, contract, or
 26 other evidence of the loan permits, the lender may recover from the borrower court costs
 27 and attorney's fees not exceeding 15 percent of the amount due and payable under the terms
 28 of the loan, to be set by the court in the event of the filing of suit.]

29 12-308.

30 (a) [(1)] At the time a loan is made, the lender shall deliver to the borrower [a
 31 statement in the English language which:

32 (i) Quotes §§ 12-306, 12-307, and 12-312 of this subtitle, in their
 33 entireties; and

1 (ii) Complies with § 12–106(b) of this title.

2 (2) If there are two or more borrowers, the lender:

3 (i) May deliver the statement to any one of the borrowers; and

4 (ii) At the request of any other borrower, shall deliver a copy of the
5 statement to that borrower within 10 days after the request] **THE DISCLOSURE**
6 **STATEMENT REQUIRED BY THE APPLICABLE FEDERAL CONSUMER CREDIT**
7 **PROTECTION LAWS.**

8 (b) (1) Except as provided in paragraphs (2), (3), and (4) of this subsection, at
9 the time a lender receives a payment on account of a loan, the lender shall deliver to the
10 person making the payment a receipt which specifies:

11 (i) The amount **OF THE PAYMENT** applied to principal;

12 (ii) The amount **OF THE PAYMENT** applied to interest and other
13 charges; and

14 (iii) The unpaid principal balance of the loan **AFTER THE PAYMENT**
15 **IS APPLIED.**

16 (2) The lender may deliver [an unitemized] A receipt **SHOWING ONLY THE**
17 **PAYMENT RECEIVED** at the time of payment if [he] **THE LENDER** delivers the required
18 itemized receipt within 10 days after the payment.

19 (3) The lender is not required to issue a receipt **UNDER THIS SUBSECTION**
20 if, before the due date of each payment, [he] **THE LENDER** regularly delivers to the
21 borrower a billing **OR ACCOUNT** statement which specifies:

22 (i) The [previous] unpaid principal balance of the loan **AS OF THE**
23 **BEGINNING OF THE BILLING PERIOD FOR WHICH THE STATEMENT IS PREPARED;**

24 (ii) The amount and date of each payment made during the billing
25 period;

26 (iii) The amount of each of these payments applied to interest, **LATE**
27 **FEES, OTHER ALLOWABLE CHARGES, AND PRINCIPAL, RESPECTIVELY;**

28 (iv) [The amount of each of these payments applied to principal;

29 (v) The current unpaid principal balance; and

30 (vi)] The amount and due date of the next [maturing installment]

1 **SCHEDULED PAYMENT; AND**2 **(v) CONTACT INFORMATION FOR THE LENDER, INCLUDING A**
3 **TOLL-FREE TELEPHONE NUMBER.**4 (4) The lender is not required to issue a receipt **UNDER THIS SUBSECTION**
5 if the lender issues to the borrower a payment book or coupon book and payment is **NOT**
6 made [by check or money order] **IN CASH.**7 (c) (1) A lender shall permit a borrower to prepay a loan in full or in part at
8 any time, without penalty **AND WITHOUT CHARGING ANY PREPAYMENT FEE.**

9 (2) Each partial prepayment shall be applied:

10 (i) First, **TO ANY UNPAID LATE FEES OR OTHER FEES OR**
11 **CHARGES AUTHORIZED UNDER THIS SUBTITLE, AS PROVIDED FOR IN THE LOAN**
12 **DOCUMENTS;**13 **(II) NEXT,** to any interest accrued on the unpaid principal balance to
14 the date of the payment; and15 **[(ii)] (III)** Then, to the unpaid principal balance.16 (d) (1) **[After] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AFTER**
17 full repayment of a loan, the lender shall:18 **[(1)] (i) 1.** Indelibly mark with the word "paid" or "canceled" and
19 return each note, contract, or other evidence of obligation of the borrower in the possession
20 of the lender; or21 **[(ii)] 2.** Furnish the borrower with a written statement that
22 identifies the loan transaction and states that the loan has been paid in full;23 **[(2)] (II)** Release any mortgage, security agreement, or other form of
24 security instrument which no longer secures any indebtedness to the lender; and25 **[(3)] (III)** Restore any pledge or certificate of title **SECURING THE LOAN.**26 **(2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS**
27 **PARAGRAPH, IF THE LENDER HAS CHARGED THE BORROWER FOR PREMIUMS TO**
28 **INSURE THE BORROWER UNDER AN INSURANCE POLICY UNDER THIS SUBTITLE,**
29 **THEN, IN THE EVENT OF PREPAYMENT IN FULL, THE LENDER SHALL REFUND OR**
30 **CREDIT TO THE BORROWER ANY UNEARNED PREMIUMS PAID BY THE BORROWER.**31 **(II) IF THE UNEARNED PREMIUMS PAID BY THE BORROWER**

1 TOTAL LESS THAN \$5, NO REFUND OR CREDIT IS REQUIRED UNDER THIS
2 PARAGRAPH.

3 (e) At the request of the borrower, the lender shall furnish the borrower with a
4 written statement of the account. However, the lender is not required to do so more than
5 once in any 30-day period.

6 [(f) A lender making or offering to make a loan secured by residential real
7 property shall comply with § 12-125 of this title, as applicable.]

8 [12-309.

9 (a) If a lender makes a loan for the purpose of enabling a borrower to buy goods
10 or services used primarily for personal, family, or household purposes, then, in addition to
11 any other claim or defense which the borrower has under this subtitle, the lender is subject
12 to the claims and defenses of the borrower against the seller arising from the sale of the
13 goods or services, if:

14 (1) The lender knows that the seller arranged for the extension of credit by
15 the lender; or

16 (2) The lender otherwise knowingly participated in the sale.

17 (b) In determining that a lender knowingly participated in a sale transaction, the
18 following factors, among others, may be considered:

19 (1) The lender was a person related to the seller, unless the relationship
20 was remote or was not a factor in the sale or loan;

21 (2) The proceeds of the loan were made payable in whole or in part to the
22 seller;

23 (3) The lender took a purchase-money security interest in the goods which
24 were the subject of the sale;

25 (4) The seller guaranteed the loan or otherwise assumed the risk of loss by
26 the lender on the loan;

27 (5) The lender directly supplied to the seller a form used by the borrower
28 to evidence or secure the loan; or

29 (6) The loan was conditioned on purchase by the borrower of the goods or
30 services from the particular seller, but the payment by the lender of any proceeds of the
31 loan to the seller does not establish in itself that the loan was so conditioned.

32 (c) (1) The liability of a lender under this section may not exceed the amount
33 owed to the lender with respect to the sale at the time the lender has notice of a claim or

1 defense of the buyer against the seller.

2 (2) If two or more loans are consolidated, the maximum amount owed to
3 the lender under paragraph (1) of this subsection is determined as follows:

4 (i) If the consolidated loans arose from sales made on the same day,
5 the payments received after the consolidation are considered to be applied first to the
6 smallest loan; and

7 (ii) In any other case, the payments received after the consolidation
8 are considered to be applied first to payment of the loan first made.

9 (d) The lender is subrogated to each right and remedy which the borrower has
10 against the seller.]

11 12–310.

12 (a) [For] **EXCEPT AS OTHERWISE PROVIDED IN THIS SUBTITLE, FOR**
13 purposes of this subtitle, any [profit or advantage] **INTEREST, FEE, OR CHARGE** which a
14 [person] **LENDER** contracts for, collects, receives, or obtains [by a collateral sale, purchase,
15 or agreement] in connection with negotiating, arranging, or making a loan is considered a
16 charge for the loan.

17 (b) This section does not apply to any [commission, dividend, retrospective rating
18 credit,]:

19 **(1) FEE OR CHARGE AUTHORIZED UNDER § 12–307 OF THIS**
20 **SUBTITLE; OR**

21 **(2) COMMISSION** or other consideration received by a licensee or a
22 licensed insurance producer who is an officer, director, agent, employee, or affiliate of a
23 licensee [on] **FOR** insurance sold [under] **TO A BORROWER IN ACCORDANCE WITH** this
24 subtitle [in accordance with] **AND** the applicable provisions of the Insurance Article.

25 12–311.

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

27 (2) “Fully indexed rate” means the index rate, as defined in the mortgage
28 loan documents, prevailing at the time the mortgage loan is approved by the lender, plus
29 the margin that will apply after the expiration of an introductory interest rate.

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

32 (ii) “Mortgage loan” does not include a reverse mortgage loan.

1 (b) A lender may not take as security for a loan any] **A LOAN MADE UNDER THIS**
2 **SUBTITLE MAY NOT INCLUDE:**

3 (1) [Confession] **A CONFESSION** of judgment or power of attorney to [him]
4 **THE LENDER** or to a third person to confess judgment or appear for the borrower in a
5 judicial proceeding;

6 (2) [Assignment] **AN ASSIGNMENT OF** or order for payment of wages; **OR**

7 (3) [Instrument] **ANY LOAN DOCUMENT** in which blanks are left to be
8 filled after execution[; or

9 (4) Note, promise to pay, or security instrument which does not state:

10 (i) The principal amount of the loan;

11 (ii) A schedule of payments or a description of the schedule; and

12 (iii) The agreed amount and rate of interest, charges, and fees] **BY**
13 **THE BORROWER, NOT INCLUDING SIGNATURES BY THE LENDER OR A NOTARY.**

14 (c) (1) A lender may not take any security interest in[:

15 (i) Real property for any loan under \$4,000 in value or amount; or

16 (ii) Personal] **PERSONAL** property for [any] A loan [under] **MADE**
17 **UNDER THIS SUBTITLE WITH AN ORIGINAL PRINCIPAL BALANCE OF LESS THAN**
18 **\$1,400 [in value or amount].**

19 (2) Any lien taken in violation of this subsection is void.

20 (3) This subsection does not apply to or affect a lien on an interest in real
21 property which results from a judgment obtained by the lender [based on] **TO COLLECT** a
22 loan [otherwise secured or unsecured].

23 (d) A lender may not make a [mortgage] loan **UNDER THIS SUBTITLE** without
24 giving due regard to the borrower's ability to repay the [mortgage] loan in accordance with
25 its terms[, including the fully indexed rate of the mortgage loan, if applicable, and property
26 taxes and homeowner's insurance whether or not an escrow account is established for the
27 collection and payment of these expenses].

28 (e) (1) Due regard to a borrower's ability to repay a [mortgage] loan must
29 include **EITHER:**

(i) Consideration of the borrower's debt to income ratio, including existing debts and other obligations **AS IDENTIFIED BY:**

1. INFORMATION SUBMITTED TO THE LENDER BY THE BORROWER; OR

2. INFORMATION SUPPLIED BY A CONSUMER CREDIT REPORTING AGENCY; [and] OR

(ii) Verification of the borrower's [gross] monthly income [and assets] by review of third-party written documentation [reasonably believed by the lender to be accurate and complete] **THAT THE LENDER DETERMINES IS SUFFICIENT FOR THE BORROWER TO BE ABLE TO REPAY THE LOAN ACCORDING TO ITS TERMS, INCLUDING VERIFICATION OF THE BORROWER'S ADDITIONAL OR SUPPLEMENTAL INCOME, IF REQUIRED TO MEET THE LENDER'S DEBT TO INCOME QUALIFICATIONS.**

(2) THE VERIFICATION UNDER PARAGRAPH (1)(II) OF THIS SUBSECTION MAY BE SUPPLIED TO THE BORROWER IN WRITING, ELECTRONICALLY, OR BY A CONSUMER REPORTING AGENCY.

[(2)] (3) Acceptable third-party written documentation includes:

(i) The borrower's Internal Revenue Service form W-2;

(ii) A copy of the borrower's income tax return;

(iii) Payroll receipts;

(iv) The records of a financial institution; or

(v) Other third-party documents that provide reasonably reliable evidence of the borrower's income or assets.

[(3)] This subsection does not apply to a mortgage loan:

(i) Approved for government guaranty by the Federal Housing Administration, the Veterans Administration, the United States Department of Agriculture, the Maryland Department of Housing and Community Development, or the Community Development Administration; or

(ii) That refinances an existing mortgage loan if the refinance mortgage loan is:

1. Offered under the federal Homeowner Affordability and Stability Plan; and

1 2. Made available by the Federal Home Loan Mortgage
2 Corporation or the Federal National Mortgage Association.]

3 12–312.

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

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

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

13 [(4)] (3) “Credit involuntary unemployment benefit insurance” has the
14 meaning stated in § 13–101 of the Insurance Article.

15 [(5)] (4) (i) “Credit life insurance” means insurance on the life of a
16 borrower that provides indemnity for repayment of a specific loan or credit transaction on
17 the death of the borrower.

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

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

23 (7)] (5) “Premium” has the meaning stated in § 1–101 of the Insurance
24 Article.

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

27 **(6) “PROPERTY INSURANCE” HAS THE MEANING STATED IN § 1–101**
28 **OF THE INSURANCE ARTICLE.**

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

31 (1) [Insurance] **PROPERTY INSURANCE** covering any real or personal
32 property [pledged] **OFFERED** as **COLLATERAL** security for the loan **IF REQUIRED BY THE**

1 **LENDER;**

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

4 (3) Credit life insurance:

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

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

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

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

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

15 **(5) NONFILING INSURANCE COVERING ANY REAL OR PERSONAL**
16 **PROPERTY SECURING THE LOAN THAT IS NOT RECORDED IN GOVERNMENT**
17 **RECORDS, IF:**

18 **(I) THE PREMIUM FOR THE INSURANCE DOES NOT EXCEED THE**
19 **COST OF FILING; AND**

20 **(II) NO COMMISSION IS PAID TO THE LENDER ON THE POLICY;**
21 **AND**

22 **(6) THE COST TO THE BORROWER OF AN OPTIONAL DEBT**
23 **CANCELLATION AGREEMENT OR INSURANCE POLICY, IF THE COST OF THE DEBT**
24 **CANCELLATION AGREEMENT OR INSURANCE POLICY IS SEPARATELY ITEMIZED IN**
25 **THE LOAN AGREEMENT.**

26 (c) (1) A lender may not require that [the] **PROPERTY** insurance be purchased
27 through a particular insurance producer or insurance company.

28 (2) The lender may:

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

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

3 (3) Subject to subsection (e) of this section, at the option of the [borrower]
4 LENDER, [a] THE lender may [be]:

5 (I) BE coinsured or protected AS AN ADDITIONAL NAMED
6 INSURED UNDER ANY PROPERTY INSURANCE POLICY COVERING COLLATERAL to the
7 extent of [his] THE LENDER'S interest [by a mortgagee clause]; AND

8 (II) REQUIRE THAT THE INSURER PROVIDE NOTICE TO THE
9 LENDER OF ANY LAPSE IN OR CANCELLATION OF COVERAGE UNDER THE POLICY.

10 (d) (1) (i) [Subject to subsection (e) of this section, the] THE amount of
11 property insurance COVERING COLLATERAL OTHER THAN A MOTOR VEHICLE may not
12 exceed either the reasonable value of the property insured or the originally scheduled total
13 of payments under the loan contract.

14 (ii) [The terms and conditions of the property insurance policy shall
15 be filed with and approved by the Insurance Commissioner] PROPERTY INSURANCE
16 COVERING A MOTOR VEHICLE SHALL COMPLY WITH ALL APPLICABLE COVERAGE
17 REQUIREMENTS UNDER STATE LAW.

18 (iii) [Property insurance may be provided by the lender] THE
19 LENDER MAY OBTAIN LENDER-PLACED PROPERTY INSURANCE if:

20 1. AT THE TIME THE LOAN IS MADE, the borrower[, at the
21 time the loan is made,] fails to furnish a loss payable endorsement for the protection of the
22 lender in an amount sufficient to cover the amount of the loan or the value of the property
23 securing the loan, whichever is less; OR

24 2. PROPERTY INSURANCE OBTAINED BY THE
25 BORROWER LAPSES OR IS CANCELED BY THE INSURER.

26 (iv) [If, however,] NOTWITHSTANDING SUBPARAGRAPH (III)1 OF
27 THIS PARAGRAPH, IF within 30 days [of] AFTER the inception date of the loan, the
28 borrower [does provide] PROVIDES TO THE LENDER a loss payable endorsement
29 SUFFICIENT for the protection of the [lender] LENDER'S INTEREST IN THE PROPERTY,
30 and no claim has been filed under the coverage purchased, the lender shall cancel the
31 LENDER-PLACED property insurance on the loan and shall refund [the entire original] TO
32 THE BORROWER ANY property insurance [premium to the borrower] PREMIUMS PAID BY
33 THE BORROWER FOR THE LENDER-PLACED PROPERTY INSURANCE.

34 (v) A lender providing property insurance under this section shall

1 give the borrower, at the time the loan is made, a written notice of the borrower's [right to
 2 provide a loss payable endorsement for the protection of the lender and the borrower's right
 3 to a refund of the entire property insurance premium] **RIGHTS UNDER SUBPARAGRAPH**
 4 **(IV) OF THIS PARAGRAPH AND THE BORROWER'S RIGHT TO REPLACE**
 5 **LENDER-PLACED PROPERTY INSURANCE WITH ANOTHER POLICY.**

6 (2) Credit health insurance shall provide for:

7 (i) Benefits not exceeding the then scheduled unpaid total of
 8 payments of the loan; **AND**

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

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

13 (3) The **COVERAGE** amount of credit life insurance in force may not exceed
 14 the unpaid principal [but] **EXCEPT THAT IT** shall include [all accrued] interest **PAYABLE**
 15 under the loan contract.

16 (4) Credit involuntary unemployment benefit insurance **AND CREDIT**
 17 **HEALTH INSURANCE** shall provide that, in the event of [involuntary loss of employment]
 18 **A CLAIM**, the aggregate amount of periodic benefits payable in the event of [involuntary
 19 loss of employment] **A CLAIM**, as defined in the policy, may not exceed the then scheduled
 20 unpaid total of payments [of] **ON** the loan.

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

23 1. Credit health insurance;

24 2. Credit involuntary unemployment benefit insurance; or

25 3. Credit life insurance.

26 (ii) Nothing in this paragraph shall prohibit the financing of any
 27 insurance coverage in connection with a mobile home or its premises, as those terms are
 28 defined in § 8A-101 of the Real Property Article] **A LENDER MAY NOT REQUIRE A**
 29 **BORROWER TO:**

30 **(I) PURCHASE CREDIT LIFE INSURANCE, CREDIT HEALTH**
 31 **INSURANCE, OR CREDIT INVOLUNTARY UNEMPLOYMENT INSURANCE IN ANY**
 32 **AMOUNT; OR**

1 **(II) ENTER INTO A DEBT CANCELLATION AGREEMENT.**

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

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

10 (ii) In determining the replacement value of the improvements on
11 any real property, the lender may:

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

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

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

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

20 (ii) Reasonable attorney’s fees; and

21 (iii) Damages directly resulting from the violation.

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

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

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

26 (2) At [rates] **PREMIUMS** not exceeding those [approved by the] **FILED**
27 **WITH THE MARYLAND** Insurance Administration.

28 (g) Within 25 days after a lender has [charged] **COLLECTED THE FIRST**
29 **PREMIUM** for any insurance **PROVIDED BY OR THROUGH THE LENDER** in connection
30 with a loan, [he] **THE LENDER** shall deliver a copy of the appropriate policy or certificate
31 to the borrower.

1 12-314.

2 (a) A person may not [lend \$25,000 or less if] **MAKE A LOAN OR EXTEND CREDIT**
3 **UNDER THIS SUBTITLE IF:**

4 (1) The person directly or indirectly contracts for, charges, or receives a
5 greater rate of interest, charge, discount, or other consideration than that **EXPRESSLY**
6 authorized [by the laws of this State] **UNDER THIS SUBTITLE;**

7 (2) The transaction violates the federal Military Lending Act; or

8 (3) The person is [not] **NEITHER** licensed under [or] **NOR** exempt from the
9 licensing requirements under **TITLE 11, SUBTITLE 2 OF THE FINANCIAL INSTITUTIONS**
10 **ARTICLE**, the Maryland Consumer Loan Law – Licensing Provisions.

11 (b) (1) (i) A loan made in the amount of \$25,000 or less[, regardless of
12 whether the loan is or purports to be made] under this subtitle, is void and unenforceable
13 if:

14 1. Except as provided in subparagraph (ii) of this paragraph,
15 a [person] **LENDER** contracts for a loan that has a rate of interest, charge, discount, or
16 other consideration greater than that **EXPRESSLY** authorized under [State law] **THIS**
17 **SUBTITLE;**

18 2. The loan violates the federal Military Lending Act; or

19 3. A [person] **LENDER** who is [not] **NEITHER** licensed under
20 [or] **NOR** exempt from the licensing requirements under Title 11, Subtitle 2 of the Financial
21 Institutions Article made the loan.

22 (ii) A loan is not void and unenforceable if:

23 1. A clerical error or mistake resulted in the rate of interest,
24 charge, discount, or other consideration being greater than the amount authorized under
25 [State law] **THIS SUBTITLE;** and

26 2. [A person] **WITHIN 10 DAYS AFTER THE LENDER**
27 **RECEIVES NOTICE OF THE ERROR OR MISTAKE, THE LENDER** corrects the error or
28 mistake [before the first payment is due under the loan] **AND MAKES THE BORROWER**
29 **WHOLE FOR ALL LOSSES, INCLUDING, WHEN APPROPRIATE, REASONABLE**
30 **ATTORNEY'S FEES AND INTEREST.**

31 (2) A person may not receive or retain any principal, interest, fees, or other
32 compensation with respect to any loan that is void and unenforceable under this subsection.

1 (3) This subsection does not apply to a person who is exempt from licensing
2 under [this subtitle] **TITLE 11, SUBTITLE 2 OF THE FINANCIAL INSTITUTIONS**
3 **ARTICLE, THE MARYLAND CONSUMER LOAN LAW – LICENSING PROVISIONS.**

4 (c) [(1) This section does not apply to a loan transaction validly made in
5 another state in compliance with a similar loan law of that state.

6 (2) A lender may not collect an amount that is more than the total amount
7 that would be permitted if this subtitle were applicable.

8 (3) This section applies to [all loans] **A LOAN** made by a lender domiciled
9 in another state to a borrower who is a resident of this State if the application for the loan
10 originated in this State.

11 (d) With respect to a loan that is void and unenforceable under this section, a
12 person may not:

13 (1) Collect or attempt to collect, directly or indirectly, any amount from the
14 borrower;

15 (2) Enforce or attempt to enforce the contract against any property
16 securing the loan; or

17 (3) Sell, assign, or otherwise transfer the loan to another person.

18 **12–315.1.**

19 **A PERSON MAY NOT BRING AN ACTION FOR DAMAGES ARISING FROM A**
20 **VIOLATION OF THIS SUBTITLE MORE THAN 6 MONTHS AFTER THE LOAN THAT IS THE**
21 **SUBJECT OF THE ACTION IS SATISFIED.**

22 **12–316.**

23 Any licensee or [his] **ANY** officer or employee **OF A LICENSEE** who [knowingly]
24 **WILLFULLY** violates any provision of §§ 12–303 through 12–306, § 12–308, [§ 12–311,] or
25 § 12–314 of this subtitle is guilty of a misdemeanor and on conviction is subject to a fine
26 not exceeding \$500 or imprisonment not exceeding 6 months or both.

27 **12–316.1.**

28 (a) A licensee or a person exempt from licensing under this subtitle is not subject
29 to a penalty involving the forfeiture of interest or principal for a violation that arises
30 because the licensee or person exempt from licensing in good faith:

31 (1) Performed or omitted to perform an act in conformity with or in reliance
32 upon:

1 (i) A written opinion of the Attorney General of Maryland [or a
2 regulation adopted by the Commissioner];

3 (ii) **A REGULATION OR A PUBLISHED ADVISORY ISSUED BY THE**
4 **COMMISSIONER;**

5 (iii) **(III)** A written opinion by the Commissioner given on request of the
6 licensee or person exempt from licensing; or

7 [(iii)] **(IV)** An interpretation by the Commissioner in a written notice
8 or examination report; [or]

9 (2) Used a form or procedure that has been approved in writing by the
10 Commissioner [and] **OR** the Attorney General; **OR**

11 **(3) USED A FORM THAT THE COMMISSIONER HAS REVIEWED IN AN**
12 **EXAMINATION OF THE LICENSEE AND TO WHICH THE COMMISSIONER HAS NOT**
13 **TAKEN EXCEPTION.**

14 (b) The provisions of subsection (a) of this section do not apply to an act or
15 omission to act that occurs after:

16 (1) The opinion, regulation, or interpretation relied on is [amended,]
17 repealed[,] or determined to be invalid for any reason by any judicial or other authority; or

18 (2) Approval for a form or procedure is [amended,] rescinded[,] or
19 determined to be invalid for any reason by any judicial or other authority.

20 (c) This section may not be construed to:

21 (1) Limit the imposition of any civil or criminal penalty for a knowing or
22 willful violation of this subtitle; or

23 (2) Limit the power of the Commissioner or the courts to order a refund to
24 a borrower of moneys collected in violation of this subtitle.

25 12-317.

26 (a) This subtitle may be cited as the Maryland Consumer Loan Law — Credit
27 Provisions.

28 (b) This subtitle and **TITLE 11, SUBTITLE 2 OF THE FINANCIAL**
29 **INSTITUTIONS ARTICLE**, the Maryland Consumer Loan Law — Licensing Provisions,
30 may be cited jointly as the Maryland Consumer Loan Law.

Article – Financial Institutions

11–201.

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

(b) “Branch location” means any location other than the principal executive office of a licensee or license applicant at which the licensee conducts, or the license applicant, on licensure, will conduct, activities required to be licensed under this subtitle.

(c) **“CONSUMER CLAIMANT” MEANS A PERSON WHO IS ENTITLED TO DAMAGES FROM A LICENSEE ARISING FROM A VIOLATION OF THE MARYLAND CONSUMER LOAN LAW, IN ACCORDANCE WITH:**

(1) A COURT JUDGMENT;

(2) AN ARBITRATION AWARD; OR

(3) A FINAL ORDER OF THE COMMISSIONER.

(D) (1) “Control person” means a person who has the power, directly or indirectly, to direct the management or policies of a licensee or license applicant, whether through ownership of securities, by contract, or otherwise.

(2) “Control person” includes a person who:

(i) Is a general partner, an officer, or a director of a licensee or license applicant, or occupies a similar position or performs a similar function;

(ii) Directly or indirectly has the right to vote 10% or more of a class of voting securities, or has the power to sell or direct the sale of 10% or more of a class of voting securities of a licensee or license applicant; or

(iii) In the case of a partnership, a limited partnership, a limited liability partnership, a limited liability company, or any other business entity:

1. Has the right to receive on liquidation or dissolution of a licensee or license applicant 10% or more of the capital of the licensee or license applicant; or

2. Has contributed 10% or more of the capital of a licensee or license applicant.

[(d)] (E) “License” means a license issued by the Commissioner under this subtitle to make loans under the Maryland Consumer Loan Law.

1 **[(e)] (F) (1)** “Loan” means any loan [or], advance of money, or **EXTENSION**
2 **OF** credit subject to Title 12, Subtitle 3 of the Commercial Law Article, the Maryland
3 Consumer Loan Law – Credit Provisions[, regardless of whether the loan or advance of
4 money or credit is or purports to be made under this subtitle].

5 **(2) “LOAN” DOES NOT INCLUDE AN EXTENSION OF CREDIT MADE**
6 **UNDER TITLE 12, SUBTITLE 1, SUBTITLE 4, SUBTITLE 9, OR SUBTITLE 10 OF OF THE**
7 **COMMERCIAL LAW ARTICLE.**

8 **[(f)] (G)** “Maryland Consumer Loan Law” means this subtitle and Title 12,
9 Subtitle 3 of the Commercial Law Article.

10 **[(g)] (H)** “Person” includes an individual, corporation, **LIMITED LIABILITY**
11 **COMPANY**, business trust, statutory trust, estate, trust, partnership, association, two or
12 more persons having a joint or common interest, or any other legal or commercial entity.

13 **[(h)] (I)** “Unique identifier” means a number or another identifier assigned by
14 NMLS.

15 11–202.

16 (a) The Maryland Consumer Loan Law does not change any powers conferred by
17 law on any person who is not required or permitted to be licensed under this subtitle.

18 (b) [The Commissioner may not license any bank, trust company, savings bank,
19 credit union, or savings and loan association] **THIS SUBTITLE DOES NOT APPLY TO:**

20 **(1) A BANK, TRUST COMPANY, SAVINGS BANK, SAVINGS AND LOAN**
21 **ASSOCIATION, OR CREDIT UNION INCORPORATED OR CHARTERED UNDER THE LAWS**
22 **OF:**

23 **(I) THE STATE OR THE UNITED STATES; OR**

24 **(II) ANY OTHER STATE, IF THE BANK, TRUST COMPANY SAVINGS**
25 **BANK, SAVINGS AND LOAN ASSOCIATION, OR CREDIT UNION HAS A BRANCH LOCATED**
26 **IN THE STATE;**

27 **(2) AN INSURANCE COMPANY AUTHORIZED TO DO BUSINESS IN THE**
28 **STATE;**

29 **(3) A SUBSIDIARY OR AN AFFILIATE OF A BUSINESS DESCRIBED IN**
30 **ITEMS (1) OR (2) OF THIS SUBSECTION, IF THE SUBSIDIARY OR AFFILIATE:**

31 **(I) IS SUBJECT TO AUDIT OR EXAMINATION BY A REGULATORY**

1 BODY OF THE STATE OR THE STATE WHERE THE SUBSIDIARY OR AFFILIATE
2 MAINTAINS ITS PRINCIPAL OFFICE; AND

3 (II) FILES WITH THE COMMISSIONER, BEFORE MAKING LOANS,
4 INFORMATION SUFFICIENT TO IDENTIFY:

5 1. THE CORRECT CORPORATE NAME OF THE
6 SUBSIDIARY OR AFFILIATE;

7 2. AN ADDRESS AND TELEPHONE NUMBER OF A
8 CONTACT PERSON FOR THE SUBSIDIARY OR AFFILIATE;

9 3. A RESIDENT AGENT OF THE SUBSIDIARY OR
10 AFFILIATE; AND

11 4. ANY OTHER INFORMATION THAT THE COMMISSIONER
12 CONSIDERS NECESSARY FOR THE PROTECTION OF THE PUBLIC;

13 (4) A NONPROFIT CHARITABLE ORGANIZATION REGISTERED WITH
14 THE MARYLAND SECRETARY OF STATE OR A NONPROFIT RELIGIOUS
15 ORGANIZATION;

16 (5) AN EMPLOYER WHEN MAKING A LOAN TO AN EMPLOYEE; OR

17 (6) AN EMPLOYEE ACTING WITHIN THE SCOPE OF EMPLOYMENT
18 WITH:

19 (I) A LICENSEE; OR

20 (II) A PERSON WHO IS EXEMPT FROM LICENSING UNDER THIS
21 SUBTITLE.

22 11-203.1.

23 (a) Unless a person is licensed by the Commissioner OR EXEMPT FROM THIS
24 SUBTITLE, the person may not:

25 (1) Make a loan; or

26 (2) In any way use any advantage provided by the Maryland Consumer
27 Loan Law.

28 (b) A separate license is required for the principal [executive] office of the license
29 applicant or licensee and each branch location.

1 (c) [During the time period established by the Commissioner under subsection
2 (d) of this section, each] **EACH** licensee shall:

3 (1) Obtain and maintain a valid unique identifier issued by NMLS when
4 an account is created with NMLS;

5 (2) [Transfer licensing] **PROVIDE** information to NMLS **AS REQUIRED BY**
6 **THE COMMISSIONER AND PAY THE NMLS PROCESSING FEE**; and

7 (3) Pay to the Commissioner a license [extension] fee calculated in
8 accordance with [subsection (d)(5) of this section] **§ 11-206 OF THIS SUBTITLE**.

9 [(d) (1) The Commissioner shall establish a time period that is not less than 2
10 months within which a licensee must transfer licensing information to NMLS.

11 (2) The time period that the Commissioner establishes under this
12 subsection shall begin on or after July 1, 2017.

13 (3) At least 30 days before the transfer period begins, the Commissioner
14 shall:

15 (i) Notify all licensees of the transfer period; and

16 (ii) Provide instructions for the transfer of licensing information to
17 NMLS.

18 (4) For each licensee that complies with subsection (c) of this section, the
19 term of the licensee's license shall extend to December 31 of the year in which the license
20 otherwise would have expired.

21 (5) The license extension fee required under subsection (c)(3) of this section
22 is nonrefundable and, based on the annual license fee, shall be prorated to the number of
23 days between the date the license otherwise would have expired and December 31 of the
24 same year.

25 (e) Subject to subsection (c) of this section, an applicant for an initial license or a
26 license renewal shall apply for the initial license or license renewal through NMLS:

27 (1) On or after July 1, 2017; or

28 (2) If the Commissioner has not joined NMLS with respect to persons
29 required to be licensed under this subtitle as of July 1, 2017, on or after the date that the
30 Commissioner joins, as specified by the Commissioner by public notice.]

31 11-204.

1 (a) A person may not:

2 (1) Receive any application for a loan or allow any note or contract for a
3 loan to be signed at any place of business for which the person does not have a license;

4 (2) Conduct any business under the Maryland Consumer Loan Law under
5 a name different from the name that appears on the person's license; or

6 (3) Evade the application of this section by any device, subterfuge, or
7 pretense of any kind.

8 (b) This section does not prohibit a licensee from [accommodating a borrower, at
9 the borrower's request, by] making a loan by mail [because of the borrower's sickness or
10 hours of employment or for similar reasons] **OR THROUGH AN E-MAIL OR A WEBSITE**
11 **ORIGINATING FROM THE LENDER'S LICENSED LOCATION.**

12 (c) Notwithstanding [subsections] **SUBSECTION** (a) [and (b)] of this section[, for
13 a loan that is to be secured by residential real property:

14 (1) **A]** A licensee may solicit and accept an application for a loan:

15 [(i)] **(1)** By mail;

16 [(ii)] **(2)** By telephone or other electronic means, **INCLUDING**
17 **THROUGH THE INTERNET;** or

18 [(iii)] **(3)** At any location requested by the prospective borrower[;

19 (2) Except as provided in item (3) of this subsection, the loan closing shall
20 be conducted at:

21 (i) The lender's licensed location;

22 (ii) The office of an attorney representing the licensee, the borrower,
23 the title company, or title insurer in connection with the loan; or

24 (iii) The office of the title insurer or title agency performing closing
25 services in connection with the loan; and

26 (3) A licensee may conduct the loan closing at another location at the
27 written request of the borrower or the borrower's designee to accommodate the borrower
28 because of the borrower's sickness].

29 11-206.

1 (a) (1) To apply for a license, an applicant shall:

2 (i) Complete, sign, and submit to the Commissioner **THROUGH**
3 **NMLS** an application made under oath in the form, and in accordance with the process,
4 that the Commissioner requires; and

5 (ii) Provide all the information that the Commissioner requests.

6 (2) The application shall include:

7 (i) The applicant's name, the applicant's principal executive office
8 address, and, if the applicant is not an individual, the name and [residence] **BUSINESS**
9 address of each control person;

10 (ii) The address of each branch location, if any; and

11 (iii) Any other pertinent information that the Commissioner requires
12 for an investigation and findings under § 11-207 of this subtitle.

13 (b) With the application, the applicant shall pay to the Commissioner:

14 (1) An investigation fee of \$100; and

15 (2) A license fee of \$850.

16 (c) (1) With the application, the applicant shall file a surety bond.

17 (2) The bond shall run to the Commissioner, as obligee, for the benefit of:

18 (i) The State; and

19 (ii) Any [person who has a cause of action against the applicant
20 under the Maryland Consumer Loan Law] **CONSUMER CLAIMANT**.

21 (3) The bond shall be:

22 (i) In an amount equal to twice the amount of the largest loan that
23 may be made under the Maryland Consumer Loan Law;

24 (ii) Issued by a surety company that:

25 1. Is authorized to do business in the State; and

26 2. Holds a certificate of authority issued by the Maryland
27 Insurance Commissioner; and

28 (iii) Conditioned that the licensee shall:

1 1. Comply with the Maryland Consumer Loan Law; and

2 2. Pay to the State or to [any person] **A CONSUMER**
3 **CLAIMANT** any money that the licensee may owe to the State or to the [person]
4 **CONSUMER CLAIMANT** under the Maryland Consumer Loan Law.

5 (4) The liability of the surety:

6 (i) Shall be continuous;

7 (ii) May not be aggregated or cumulative, whether or not the bond is
8 renewed, continued, replaced, or modified;

9 (iii) May not be determined by adding together the penal sum of the
10 bond, or any part of the penal sum of the bond, in existence at any two or more points in
11 time;

12 (iv) Shall be considered to be one continuous obligation, regardless of
13 increases or decreases in the penal sum of the bond;

14 (v) May not be affected by:

15 1. The insolvency or bankruptcy of the licensee;

16 2. Any misrepresentation, breach of warranty, failure to pay
17 a premium, or any other act or omission of the licensee or an agent of the licensee; or

18 3. The suspension, **SURRENDER, OR REVOCATION** of the
19 licensee's license;

20 (vi) May not require an administrative enforcement action by the
21 Commissioner as a prerequisite to liability; and

22 (vii) Shall continue for 3 years after the later of the date on which:

23 1. The bond is canceled; or

24 2. The licensee, for any reason, ceases to be licensed.

25 (5) (i) A bond may be canceled by the surety or the licensee by giving
26 notice of cancellation to the Commissioner.

27 (ii) Notice under subparagraph (i) of this paragraph shall:

28 1. Be in writing; and

1 2. Be sent by certified mail, return receipt requested.

2 (iii) A cancellation of a bond under this paragraph is not effective
3 until 90 days after receipt of a notice of cancellation by the Commissioner.

4 (6) A claim against the bond may be filed with the surety by:

5 (i) A **CONSUMER** claimant; or

6 (ii) The Commissioner for the benefit of a **CONSUMER** claimant or
7 the State.

8 (7) If the amount of claims against a bond exceeds the amount of the bond,
9 the surety:

10 (i) Shall pay the amount of the bond to the Commissioner for pro
11 rata distribution to **CONSUMER** claimants; and

12 (ii) Is relieved of liability under the bond.

13 (8) If the penal amount of a bond is reduced by payment of a claim or
14 judgment, the licensee shall file a new or additional bond with the Commissioner.

15 (9) A penalty imposed against a licensee under § 2-115(b) of this article
16 may be collected and paid from the proceeds of a bond required under this subsection.

17 (d) For the principal executive office and each branch location license for which
18 an applicant applies, the applicant shall:

19 (1) Submit a separate application; and

20 (2) Pay a separate investigation fee and license fee.

21 11-213.

22 Each licensee shall keep:

23 (1) The books and records that the Commissioner considers necessary to
24 determine compliance with the Maryland Consumer Loan Law; and

25 (2) **[For] RECORDS OF A PARTICULAR LOAN FOR** at least 2 years after
26 the [licensee makes the final entry on any loan in the licensee's business, the records of
27 that entry, including cards used in a card system] **FIRST OF THE FOLLOWING EVENTS**
28 **TO OCCUR:**

29 **(I) THE LOAN IS SOLD TO A THIRD PARTY;**

1 (II) THE LOAN IS REPAID IN FULL; OR

2 (III) THE LICENSEE CHARGES OFF THE LOAN AS
3 UNCOLLECTABLE.

4 11-215.

5 (a) Subject to the hearing provisions of § 11-217 of this subtitle, the
6 Commissioner may order a licensee or any other person to cease and desist from a course
7 of conduct if the course of conduct results in an evasion or violation of the Maryland
8 Consumer Loan Law or of any rule or regulation adopted under it.

9 (b) (1) Subject to the provisions of paragraph (2) of this subsection, when the
10 Commissioner determines that a licensee or any other person is about to engage in an act
11 or practice constituting an evasion or violation of the Maryland Consumer Loan Law or of
12 any rule or regulation adopted under the Maryland Consumer Loan Law, and that
13 immediate action against the licensee or person is in the public interest, the Commissioner
14 may in the Commissioner's discretion issue, without a prior hearing, a summary order
15 directing the licensee or person to cease and desist from engaging in the act or practice.

16 (2) A summary cease and desist order issued under paragraph (1) of this
17 subsection shall give the licensee or person:

18 (i) Subject to the hearing provisions of § 11-217 of this subtitle,
19 notice of the opportunity for a hearing to determine whether the summary cease and desist
20 order should be vacated, modified, or entered as final; and

21 (ii) Notice that the summary cease and desist order will be entered
22 as final if the licensee or person does not request a hearing within 15 days of receipt of the
23 summary cease and desist order **AND THE NOTICE OF THE OPPORTUNITY FOR A**
24 **HEARING.**

25 [11-219.

26 (a) A licensee may not sell a loan account to any person who is not licensed under
27 this subtitle.

28 (b) A loan account that is acquired by a person who is not licensed under this
29 subtitle is not enforceable.]

30 11-222.

31 Any person who **WILLFULLY** violates [any provision of § 11-203.1(a)] **THE**
32 **LICENSING PROVISIONS** of this subtitle is guilty of a misdemeanor and on conviction is
33 subject to a fine not exceeding [**\$5,000**] **\$500** or imprisonment not exceeding [3 years] **1**

1 **YEAR** or both.

2 11-223.

3 (a) This subtitle may be cited as the Maryland Consumer Loan Law – Licensing
4 Provisions.

5 (b) This subtitle and **TITLE 12, SUBTITLE 3 OF THE COMMERCIAL LAW**
6 **ARTICLE**, the Maryland Consumer Loan Law – Credit Provisions, may be cited jointly as
7 the Maryland Consumer Loan Law.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2019.