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SB 243/95 - JPR

1997 Regular Session
7r0808

By: Senator Astle

Introduced and read first time: January 30, 1997
Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 11, 1997

CHAPTER ____

1 AN ACT concerning

2 **Real Property - Disbursement of Loans Secured by Deeds of Trust or Mortgages**

3 FOR the purpose of requiring a lender to disburse ~~any loan that is secured by a deed of~~
4 ~~trust or mortgage on real property located in the State in a certain manner; making~~
5 ~~stylistic changes~~ loan proceeds in certain loan transactions in certain forms;
6 authorizing certain financial institutions to disburse certain loan proceeds in certain
7 forms; defining certain terms; and generally relating to the disbursement of loans
8 secured by deeds of trust and mortgages on real property.

9 BY repealing and reenacting, with amendments,
10 Article - Real Property
11 Section 7-109
12 Annotated Code of Maryland
13 (1996 Replacement Volume and 1996 Supplement)

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

16 **Article - Real Property**

17 7-109.

18 [(a) This section applies only to a transaction involving a purchase money loan
19 secured by first deeds of trust or mortgages on real property that contains no more than
20 4 dwelling units.]

21 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
22 INDICATED.

1 (2) "AFFILIATE" MEANS ANY ASSOCIATION, CORPORATION, BUSINESS
2 TRUST, OR OTHER SIMILAR ORGANIZATION THAT CONTROLS, IS CONTROLLED BY,
3 OR IS UNDER COMMON CONTROL WITH, A FINANCIAL INSTITUTION, AS DEFINED IN
4 § 1-101 OF THE FINANCIAL INSTITUTIONS ARTICLE.

5 (3) "SETTLEMENT" MEANS THE PROCESS OF EXECUTING LEGALLY
6 BINDING DOCUMENTS EVIDENCING A LOAN SECURED BY A DEED OF TRUST OR
7 MORTGAGE.

8 ~~{(b)}~~ ~~(A)~~ In any THIS SECTION APPLIES ONLY TO A LOAN transaction [for the
9 sale of real property] IN WHICH:

10 (1) THE LOAN IS SECURED BY A DEED OF TRUST OR MORTGAGE ON
11 REAL PROPERTY LOCATED IN THE STATE, ~~OR~~; AND

12 (2) THE AGENT RESPONSIBLE FOR SETTLEMENT IS NOT AN OFFICER,
13 DIRECTOR, OR EMPLOYEE OF THE LENDER OR OF AN AFFILIATE OF THE LENDER.

14 (C) ON or before the day of ~~closing~~ SETTLEMENT, [a] THE lender shall disburse
15 the loan PROCEEDS IN ACCORDANCE WITH THE LOAN DOCUMENTS to the agent
16 responsible for settlement as provided in subsection [(c)] ~~(B)~~ (D) OR (E) of this section.

17 [(c)] ~~(B)~~ (D) [A] EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS
18 SECTION, THE lender shall disburse the loan ~~to the agent responsible for settlement~~
19 PROCEEDS in the form of:

20 (1) Cash;

21 (2) Wired funds;

22 (3) A certified check; OR

23 (4) A check issued by a political subdivision[;

24 (5) A teller's check issued by a depository institution and drawn on another
25 depository institution;

26 (6) A cashier's check; or

27 (7) A check drawn on a financial institution that is insured by FDIC
28 (Federal Deposit Insurance Corporation), FSLIC (Federal Savings and Loan Insurance
29 Corporation), or MDIF (State of Maryland Deposit Insurance Fund Corporation), and
30 which is located in the 5th Federal Reserve District] OR ON BEHALF OF A
31 GOVERNMENTAL ENTITY.

32 (E) IN ADDITION TO THE METHODS OF LOAN DISBURSEMENT PROVIDED IN
33 SUBSECTION (D) OF THIS SECTION, A FINANCIAL INSTITUTION INSURED BY THE
34 FEDERAL DEPOSIT INSURANCE CORPORATION, THE NATIONAL CREDIT UNION
35 ADMINISTRATION, OR THE CREDIT UNION INSURANCE CORPORATION, AND ANY
36 AFFILIATE OR SUBSIDIARY OF SUCH AN INSTITUTION, MAY DISBURSE THE LOAN
37 PROCEEDS IN THE FORM OF:

38 (1) A TELLER'S CHECK;

3

1 (2) A CASHIER'S CHECK; OR

2 (3) A CHECK DRAWN ON A FINANCIAL INSTITUTION INSURED BY THE
3 FEDERAL DEPOSIT INSURANCE CORPORATION AND LOCATED IN THE 5TH FEDERAL
4 RESERVE DISTRICT.

5 [(d)] ~~(C)~~ (F) If [the] A loan is not disbursed as provided in subsection [(c)]
6 ~~(B)~~ (D) OR (E) of this section, [a] THE lender may not charge interest on [a] THE loan
7 for the first 30 days following the date of closing.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 July 1, 1997.