

BY: Commerce and Government Matters Committee

AMENDMENTS TO HOUSE BILL NO. 649

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, strike “Financial Institutions” and substitute “Credit Regulation”; in the same line, strike “- Enactment of Laws”; in line 3, after “of” insert “prohibiting certain lenders and credit grantors from financing certain single premium insurance as part of certain mortgage loans; prohibiting certain lenders and credit grantors from making certain loans without giving due regard to certain borrowers’ ability to repay the loans; requiring certain borrowers to be provided with certain home buyer education or housing counseling information under certain circumstances;”; in line 5, after the first “of” insert “certain provisions of”; in the same line, after “Act;” insert “defining certain terms;”; in the same line, strike “the enactment of laws regulating” and substitute “credit regulation and”; and after line 6 insert:

“BY adding to

Article - Commercial Law

Section 12-124.1, 12-127, 12-409.1, and 12-1029

Annotated Code of Maryland

(2000 Replacement Volume and 2001 Supplement)

BY repealing and reenacting, with amendments,

Article - Commercial Law

Section 12-311, 12-312, 12-410, and 12-1007

Annotated Code of Maryland

(2000 Replacement Volume and 2001 Supplement)”.

AMENDMENT NO. 2

On page 1, after line 13, insert:

“Article - Commercial Law

(Over)

12-124.1.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(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 § 13-301 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) “HOME BUYER EDUCATION OR HOUSING COUNSELING” MEANS INSTRUCTION ON PREPARING FOR HOME OWNERSHIP, SHOPPING FOR A HOME, OBTAINING A MORTGAGE, LOAN CLOSING, AND LIFE AS A HOMEOWNER.

(7) “MORTGAGE LOAN” HAS THE MEANING STATED IN §11-501 OF THE FINANCIAL INSTITUTIONS ARTICLE.

(8) “PREMIUM” HAS THE MEANING STATED IN § 1-101 OF THE INSURANCE ARTICLE.

(9) “SINGLE PREMIUM COVERAGE” MEANS INSURANCE FOR WHICH THE TOTAL PREMIUM IS PAYABLE IN ONE LUMP SUM AT OR BEFORE THE TIME COVERAGE COMMENCES.

(B) (1) EXCEPT AS PROVIDED IN THIS SUBSECTION, A LENDER MAKING A COVERED LOAN MAY NOT FINANCE AS A PART OF THE COVERED LOAN TRANSACTION SINGLE PREMIUM COVERAGE FOR:

(I) CREDIT HEALTH INSURANCE;

(II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE; OR

(III) CREDIT LIFE INSURANCE.

(2) NOTHING IN THIS SUBSECTION 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.

(C) (1) IN THIS SUBSECTION, “LOAN APPLICATION” HAS THE MEANING STATED IN § 12-125 OF THIS SUBTITLE.

(2) AT THE TIME A BORROWER COMPLETES A LOAN APPLICATION FOR A COVERED LOAN, THE LENDER SHALL PROVIDE THE BORROWER WITH:

(I) A WRITTEN RECOMMENDATION THAT THE BORROWER SEEK HOME BUYER EDUCATION OR HOUSING COUNSELING; AND

(II) A LIST OF AGENCIES AND ORGANIZATIONS APPROVED BY THE COUNTY IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE COVERED LOAN IS LOCATED TO PROVIDE HOME BUYER EDUCATION OR HOUSING COUNSELING.

12-127.

(Over)

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(3) “MORTGAGE LOAN” HAS THE MEANING STATED IN § 11-501 OF THE FINANCIAL INSTITUTIONS ARTICLE.

(4) “RESIDENTIAL REAL PROPERTY” MEANS OWNER-OCCUPIED REAL PROPERTY HAVING A DWELLING ON IT DESIGNED PRINCIPALLY AS A RESIDENCE WITH ACCOMMODATIONS FOR NOT MORE THAN FOUR FAMILIES.

(B) (1) A LENDER MAY NOT MAKE A COVERED LOAN WITHOUT GIVING DUE REGARD TO THE BORROWER’S ABILITY TO REPAY THE LOAN IN ACCORDANCE WITH ITS TERMS.

(2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE TIME THE LOAN IS MADE THE BORROWER’S TOTAL SCHEDULED MONTHLY PAYMENT OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 PERCENT OF THE BORROWER’S MONTHLY GROSS INCOME.

(3) THIS SECTION DOES NOT APPLY TO A COVERED LOAN TO A BORROWER WHOSE MONTHLY GROSS INCOME IS GREATER THAN 120 PERCENT OF THE MEDIAN FAMILY INCOME FOR THE METROPOLITAN STATISTICAL AREA IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE LOAN IS LOCATED.

12-311.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS

MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(3) “HOME BUYER EDUCATION OR HOUSING COUNSELING” MEANS INSTRUCTION ON PREPARING FOR HOME OWNERSHIP, SHOPPING FOR A HOME, OBTAINING A MORTGAGE, LOAN CLOSING, AND LIFE AS A HOMEOWNER.

(4) “RESIDENTIAL REAL PROPERTY” MEANS OWNER-OCCUPIED REAL PROPERTY HAVING A DWELLING ON IT DESIGNED PRINCIPALLY AS A RESIDENCE WITH ACCOMMODATIONS FOR NOT MORE THAN FOUR FAMILIES.

(B) A lender may not take as security for a loan any:

(1) Confession of judgment or power of attorney to him or to a third person to confess judgment or appear for the borrower in a judicial proceeding;

(2) Assignment or order for payment of wages;

(3) Instrument in which blanks are left to be filled after execution; or

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

(i) The principal amount of the loan;

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

(iii) The agreed amount and rate of interest, charges, and fees.

[(b)] (C) (1) A lender may not take any security interest in:

(i) Real property for any loan under \$2,000 in value or amount; or

(ii) Personal property for any loan under \$700 in value or amount.

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

(Over)

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

(D) (1) A LENDER MAY NOT MAKE A COVERED LOAN WITHOUT GIVING DUE REGARD TO THE BORROWER'S ABILITY TO REPAY THE LOAN IN ACCORDANCE WITH ITS TERMS.

(2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

(3) THIS SUBSECTION DOES NOT APPLY TO A COVERED LOAN TO A BORROWER WHOSE MONTHLY GROSS INCOME IS GREATER THAN 120 PERCENT OF THE MEDIAN FAMILY INCOME FOR THE METROPOLITAN STATISTICAL AREA IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE LOAN IS LOCATED.

(E) (1) IN THIS SUBSECTION, "LOAN APPLICATION" HAS THE MEANING STATED IN § 12-125 OF THIS TITLE.

(2) AT THE TIME A BORROWER COMPLETES A LOAN APPLICATION FOR A COVERED LOAN, THE LENDER SHALL PROVIDE THE BORROWER WITH:

(I) A WRITTEN RECOMMENDATION THAT THE BORROWER SEEK HOME BUYER EDUCATION OR HOUSING COUNSELING; AND

(II) A LIST OF AGENCIES AND ORGANIZATIONS APPROVED BY THE COUNTY IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE COVERED LOAN IS LOCATED TO PROVIDE HOME BUYER EDUCATION OR HOUSING COUNSELING.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(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

(Over)

the option of the borrower, the premiums paid for:

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

(2) [Accident and] 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) [Involuntary] 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.

[(b)] (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 [(d)] (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.

[(c)] (D) (1) (i) Subject to subsection [(d)] (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) [Accident and] 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

(Over)

(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) [(i) In this paragraph, “involuntary unemployment benefit insurance” means any insurance designed to pay the creditor the monthly payment obligation of the debtor due to the debtor's involuntary loss of employment.

[(ii)] [Involuntary] 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.

[(d)] (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 [(b)] (C)(1) of this section shall entitle the borrower to:

(i) Seek 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 [(b)] (C) (1) of this section does not affect the validity of the first mortgage or first deed of trust securing the loan.

[(e)] (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.

~~[(f)]~~ (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.

12-409.1.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(3) “HOME BUYER EDUCATION OR HOUSING COUNSELING” MEANS INSTRUCTION ON PREPARING FOR HOME OWNERSHIP, SHOPPING FOR A HOME, OBTAINING A MORTGAGE, LOAN CLOSING, AND LIFE AS A HOMEOWNER.

(4) “RESIDENTIAL REAL PROPERTY” MEANS OWNER-OCCUPIED REAL PROPERTY HAVING A DWELLING ON IT DESIGNED PRINCIPALLY AS A RESIDENCE WITH ACCOMMODATIONS FOR NOT MORE THAN FOUR FAMILIES.

(B) (1) A LENDER MAY NOT MAKE A COVERED LOAN WITHOUT GIVING DUE REGARD TO THE BORROWER’S ABILITY TO REPAY THE LOAN IN ACCORDANCE WITH ITS TERMS.

(2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE TIME THE LOAN IS MADE THE BORROWER’S TOTAL SCHEDULED MONTHLY PAYMENT OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 PERCENT OF THE BORROWER’S MONTHLY GROSS INCOME.

(3) THIS SUBSECTION DOES NOT APPLY TO A COVERED LOAN TO A BORROWER WHOSE MONTHLY GROSS INCOME IS GREATER THAN 120 PERCENT OF THE MEDIAN FAMILY INCOME FOR THE METROPOLITAN STATISTICAL AREA IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE LOAN IS LOCATED.

(C) (1) IN THIS SUBSECTION, "LOAN APPLICATION" HAS THE MEANING STATED IN § 12-125 OF THIS TITLE.

(2) AT THE TIME A BORROWER COMPLETES A LOAN APPLICATION FOR A COVERED LOAN, THE LENDER SHALL PROVIDE THE BORROWER WITH:

(I) A WRITTEN RECOMMENDATION THAT THE BORROWER SEEK HOME BUYER EDUCATION OR HOUSING COUNSELING; AND

(II) A LIST OF AGENCIES AND ORGANIZATIONS APPROVED BY THE COUNTY IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE COVERED LOAN IS LOCATED TO PROVIDE HOME BUYER EDUCATION OR HOUSING COUNSELING.

12-410.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(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; AND

(Over)

(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 require a borrower to insure and may collect from [him] THE BORROWER the premiums paid for insurance on:

- (1) Any real property securing the loan;
- (2) The life of any person obligated on the loan; and
- (3) The title of any real property securing the loan.

[(b)] (C) Subject to the provisions of this section, the licensee may collect from the borrower, at the borrower's option, the premiums paid for [accident and] CREDIT health insurance covering any one borrower obligated on the loan. The insurance may not provide benefits exceeding the actual period of disability.

[(c)] (D) (1) Subject to the provisions of subsections [(d),] (e), [and] (f), (G), and (H) of this section, a lender may collect from a borrower, at the option of the borrower, the premiums paid for CREDIT involuntary unemployment benefit insurance covering the borrower.

[(1) “Involuntary unemployment benefit insurance” means any insurance designed to pay a lender the monthly payment obligation of a borrower who has suffered an involuntary loss of

employment.]

(2) The availability of CREDIT involuntary unemployment benefit insurance to a borrower may not be made contingent on the purchase of any other type of insurance permitted under this section.

[(d)] (E) (1) EXCEPT AS PROVIDED IN THIS SUBSECTION, A LENDER MAKING A COVERED LOAN MAY NOT FINANCE AS A PART OF THE COVERED LOAN TRANSACTION SINGLE PREMIUM COVERAGE FOR:

(I) CREDIT HEALTH INSURANCE;

(II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE; OR

(III) CREDIT LIFE INSURANCE.

(2) NOTHING IN THIS SUBSECTION 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.

(F) (1) (i) In this paragraph, “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”.

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

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

(Over)

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.

(iv) Any property insurance coverage required by a lender shall bear a reasonable relation to the existing risk of loss.

(v) A violation of this paragraph or of subsection [(f)] (H) of this section shall entitle the borrower to:

1. Seek an injunction to prohibit the lender who has engaged or is engaging in the violation from continuing or engaging in the violation;

2. Reasonable attorney's fees; and

3. Damages directly resulting from the violation.

(vi) A violation of this paragraph or of subsection [(f)] (H) of this section does not affect the validity of the mortgage or deed of trust securing the secondary mortgage loan.

(2) The amount of CREDIT life insurance may not exceed the total original amount payable under the loan contract.

(3) The [accident and] CREDIT health insurance shall provide:

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

- (ii) A waiting period for the collection of benefits 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.

(4) The CREDIT involuntary unemployment benefit insurance may not provide that:

(i) The periodic benefits shall continue for a period exceeding the actual period of the borrower's involuntary unemployment; or

(ii) The aggregate amount of periodic benefits payable in the event of a borrower's involuntary loss of employment shall exceed the scheduled unpaid total of payments remaining on the loan on the date of the borrower's involuntary loss of employment.

(5) A lender may not require a borrower to purchase CREDIT involuntary unemployment benefit insurance as a condition of obtaining a loan.

~~[(e)]~~ (G) 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.

~~[(f)]~~ (H) A lender may not require the borrower to purchase any insurance:

(1) Through a particular insurance producer or insurance company; or

(2) From the lender.

12-1007.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS

(Over)

MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(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) In connection with a loan to a consumer borrower:

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

(2) Subject to § 12-1007.1 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.

(3) (I) EXCEPT AS PROVIDED IN THIS SUBSECTION, A CREDIT GRANTOR 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 SUBSECTION 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.

[(b)] (C) The provisions of this section do not alter or modify rights, privileges, or restrictions heretofore existing between the credit grantor and a borrower other than a consumer borrower.

[(c)] (D) Premiums for any insurance coverage permitted by this section are not interest with respect to a loan.

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

[(e)] (F) (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 credit grantor may not require a borrower, as a condition to receiving

(Over)

or maintaining a loan secured by a first lien, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of the improvements on the real property.

(ii) In determining the replacement value of the improvements on any 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 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 first lien securing the loan.

12-1029.

(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 DESCRIBED IN 15 U.S.C. § 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

(3) “HOME BUYER EDUCATION OR HOUSING COUNSELING” MEANS INSTRUCTION ON PREPARING FOR HOME OWNERSHIP, SHOPPING FOR A HOME,

OBTAINING A MORTGAGE, LOAN CLOSING, AND LIFE AS A HOMEOWNER.

(B) (1) A CREDIT GRANTOR MAY NOT MAKE A COVERED LOAN WITHOUT GIVING DUE REGARD TO THE BORROWER'S ABILITY TO REPAY THE LOAN IN ACCORDANCE WITH ITS TERMS.

(2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

(3) THIS SUBSECTION DOES NOT APPLY TO A LOAN TO A BORROWER WHOSE MONTHLY GROSS INCOME IS GREATER THAN 120 PERCENT OF THE MEDIAN FAMILY INCOME FOR THE METROPOLITAN STATISTICAL AREA IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE PLAN IS LOCATED.

(C) (1) IN THIS SUBSECTION, "LOAN APPLICATION" HAS THE MEANING STATED IN § 12-1022 OF THIS SUBTITLE.

(2) AT THE TIME A BORROWER COMPLETES A LOAN APPLICATION FOR A COVERED LOAN, THE CREDIT GRANTOR SHALL PROVIDE THE BORROWER WITH:

(I) A WRITTEN RECOMMENDATION THAT THE BORROWER SEEK HOME BUYER EDUCATION OR HOUSING COUNSELING; AND

(II) A LIST OF AGENCIES AND ORGANIZATIONS APPROVED BY THE COUNTY IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE COVERED LOAN IS LOCATED TO PROVIDE HOME BUYER EDUCATION OR HOUSING COUNSELING."

AMENDMENT NO. 3

On page 1, in line 22, strike "OR"; in line 24, strike "FISCAL OR ECONOMIC" and

(Over)

substitute “FISCAL, ECONOMIC, OR COMMUNITY”; and in the same line, after “POLICY” insert “:

(4) RESTRICT OR OTHERWISE AFFECT A LOCAL GOVERNMENT’S ABILITY TO ENACT LAWS OR ADOPT REGULATIONS RELATING TO FAIR HOUSING OR OTHER CIVIL RIGHTS; OR

(5) RESTRICT OR OTHERWISE AFFECT A LOCAL GOVERNMENT’S ABILITY TO ESTABLISH OR ADMINISTER LOAN PROGRAMS TO ASSIST RESIDENTS WITH FINANCIAL NEEDS”.