

HOUSE BILL 649

Unofficial Copy
12

2002 Regular Session
(21r1739)

ENROLLED BILL

-- Commerce and Government Matters/Finance --

Introduced by **Delegates McIntosh and Wood**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **~~Financial Institutions Credit Regulation - Extensions of Credit -Enactment~~**
3 **~~of Laws~~**

4 FOR the purpose of prohibiting certain lenders and credit grantors from financing
5 certain single premium insurance as part of certain mortgage loans; prohibiting
6 certain lenders and credit grantors from making certain loans without giving
7 due regard to certain borrowers' ability to repay the loans; requiring certain
8 borrowers to be provided with certain home buyer education or housing
9 counseling information under certain circumstances; providing that only the
10 State may enact legislation which purports to regulate extensions of credit;
11 providing for the effect and application of certain provisions of this Act; defining
12 certain terms; providing for the effective date of this Act; and generally relating
13 to ~~the enactment of laws regulating~~ credit regulation and extensions of credit.

14 BY adding to

15 Article - Commercial Law

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

1 Annotated Code of Maryland
2 (2000 Replacement Volume and 2001 Supplement)

3 BY repealing and reenacting, with amendments,
4 Article - Commercial Law
5 Section 12-311, 12-312, 12-410, and 12-1007
6 Annotated Code of Maryland
7 (2000 Replacement Volume and 2001 Supplement)

8 BY adding to
9 Article - Financial Institutions
10 Section 1-209
11 Annotated Code of Maryland
12 (1998 Replacement Volume and 2001 Supplement)

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

15 Article - Commercial Law

16 12-124.1.

17 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
18 INDICATED.

19 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
20 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE
21 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
22 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
23 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
24 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
25 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

26 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN
27 § 13-101 OF THE INSURANCE ARTICLE.

28 (4) "CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE" HAS
29 THE MEANING STATED IN § 13-301 OF THE INSURANCE ARTICLE.

30 (5) (I) "CREDIT LIFE INSURANCE" MEANS INSURANCE ON THE LIFE OF
31 A BORROWER THAT PROVIDES INDEMNITY FOR REPAYMENT OF A SPECIFIC LOAN OR
32 CREDIT TRANSACTION ON THE DEATH OF THE BORROWER.

33 (II) "CREDIT LIFE INSURANCE" DOES NOT INCLUDE LIFE
34 INSURANCE PAYABLE TO A BENEFICIARY DESIGNATED BY THE BORROWER OTHER
35 THAN THE OBLIGEE OF A SPECIFIC LOAN OR CREDIT TRANSACTION.

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

4 (7) "MORTGAGE LOAN" HAS THE MEANING STATED IN § 11-501 OF THE
5 FINANCIAL INSTITUTIONS ARTICLE.

6 (8) "PREMIUM" HAS THE MEANING STATED IN § 1-101 OF THE
7 INSURANCE ARTICLE.

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

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

14 (I) CREDIT HEALTH INSURANCE;

15 (II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE;
16 OR

17 (III) CREDIT LIFE INSURANCE.

18 (2) NOTHING IN THIS SUBSECTION SHALL PROHIBIT THE FINANCING OF
19 ANY INSURANCE COVERAGE IN CONNECTION WITH A MOBILE HOME OR ITS
20 PREMISES, AS THOSE TERMS ARE DEFINED IN § 8A-101 OF THE REAL PROPERTY
21 ARTICLE.

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

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

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

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

32 12-127.

33 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
34 INDICATED.

35 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
36 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE

1 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
2 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
3 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
4 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
5 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

6 (3) "MORTGAGE LOAN" HAS THE MEANING STATED IN § 11-501 OF THE
7 FINANCIAL INSTITUTIONS ARTICLE.

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

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

14 (2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE
15 TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT
16 OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 45
17 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

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

22 12-311.

23 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
24 INDICATED.

25 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
26 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED FOR A LOAN SUBJECT TO THE~~
27 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
28 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
29 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
30 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
31 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

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

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

3 (2) Assignment or order for payment of wages;

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

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

6 (i) The principal amount of the loan;

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

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

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

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

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

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

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

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

19 (2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE
20 TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT
21 OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 45
22 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

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

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

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

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

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

5 12-312.

6 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
7 INDICATED.

8 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
9 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE
10 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
11 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
12 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
13 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
14 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

15 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN §
16 13-101 OF THE INSURANCE ARTICLE.

17 (4) "CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE" HAS
18 THE MEANING STATED IN § 13-101 OF THE INSURANCE ARTICLE.

19 (5) (I) "CREDIT LIFE INSURANCE" MEANS INSURANCE ON THE LIFE OF
20 A BORROWER THAT PROVIDES INDEMNITY FOR REPAYMENT OF A SPECIFIC LOAN OR
21 CREDIT TRANSACTION ON THE DEATH OF THE BORROWER.

22 (II) "CREDIT LIFE INSURANCE" DOES NOT INCLUDE LIFE
23 INSURANCE PAYABLE TO A BENEFICIARY DESIGNATED BY THE BORROWER OTHER
24 THAN THE OBLIGEE OF A SPECIFIC LOAN OR CREDIT TRANSACTION.

25 (6) "MORTGAGE LOAN" HAS THE MEANING STATED IN § 11-501 OF THE
26 FINANCIAL INSTITUTIONS ARTICLE.

27 (7) "PREMIUM" HAS THE MEANING STATED IN § 1-101 OF THE
28 INSURANCE ARTICLE.

29 (8) "SINGLE PREMIUM COVERAGE" MEANS INSURANCE FOR WHICH THE
30 TOTAL PREMIUM IS PAYABLE IN ONE LUMP SUM AT OR BEFORE THE TIME COVERAGE
31 COMMENCES.

32 (B) Subject to the provisions of this section, a lender may collect from the
33 borrower, at the option of the borrower, the premiums paid for:

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

- 1 (2) [Accident and] CREDIT health insurance covering any one or more
2 borrowers, if the insurance does not provide for benefits exceeding the actual period of
3 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
8 more in value or amount; and
- 9 (4) [Involuntary] CREDIT INVOLUNTARY unemployment benefit
10 insurance covering any one 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 [(b)] (C) (1) A lender may not require that the insurance be purchased
16 through a particular insurance producer or insurance company.
- 17 (2) The lender may:
- 18 (i) Assist an applicant or act with the applicant in forwarding an
19 application to an insurance producer; and
- 20 (ii) Receive and transmit premiums or other identifiable charges
21 for the insurance.
- 22 (3) Subject to subsection [(d)] (E) of this section, at the option of the
23 borrower, a lender may be coinsured or protected to the extent of his interest by a
24 mortgagee clause.
- 25 [(c)] (D) (1) (i) Subject to subsection [(d)] (E) of this section, the amount of
26 property insurance may not exceed either the reasonable value of the property
27 insured or the originally scheduled total of payments under the loan contract.
- 28 (ii) The terms and conditions of the property insurance policy shall
29 be filed with and approved by the Insurance Commissioner.
- 30 (iii) Property insurance may be provided by the lender if the
31 borrower, at the time the loan is made, fails to furnish a loss payable endorsement for
32 the protection of the lender in an amount sufficient to cover the amount of the loan or
33 the value of the property securing the loan, whichever is less.
- 34 (iv) If, however, within 30 days of the inception date of the loan, the
35 borrower does provide a loss payable endorsement for the protection of the lender, and
36 no claim has been filed under the coverage purchased, the lender shall cancel the

1 property insurance on the loan and shall refund the entire original property
 2 insurance premium to the borrower.

3 (v) A lender providing property insurance under this section shall
 4 give the borrower, at the time the loan is made, a written notice of the borrower's
 5 right to provide a loss payable endorsement for the protection of the lender and the
 6 borrower's right to a refund of the entire property insurance premium.

7 (2) [Accident and] CREDIT health insurance shall provide for:

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

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

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

14 (3) The amount of credit life insurance in force may not exceed the
 15 unpaid principal but shall include all accrued interest under the loan contract.

16 (4) (i) In this paragraph, "involuntary unemployment benefit
 17 insurance" means any insurance designed to pay the creditor the monthly payment
 18 obligation of the debtor due to the debtor's involuntary loss of employment.

19 (ii) [Involuntary] CREDIT INVOLUNTARY unemployment benefit
 20 insurance shall provide that, in the event of involuntary loss of employment, the
 21 aggregate amount of periodic benefits payable in the event of involuntary loss of
 22 employment, as defined in the policy, may not exceed the then scheduled unpaid total
 23 of payments of the loan.

24 (5) (I) EXCEPT AS PROVIDED IN THIS PARAGRAPH, A PERSON MAKING
 25 A COVERED LOAN MAY NOT FINANCE AS A PART OF THE COVERED LOAN
 26 TRANSACTION SINGLE PREMIUM COVERAGE FOR:

27 1. CREDIT HEALTH INSURANCE;

28 2. CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT
 29 INSURANCE; OR

30 3. CREDIT LIFE INSURANCE.

31 (II) NOTHING IN THIS PARAGRAPH SHALL PROHIBIT THE
 32 FINANCING OF ANY INSURANCE COVERAGE IN CONNECTION WITH A MOBILE HOME
 33 OR ITS PREMISES, AS THOSE TERMS ARE DEFINED IN § 8A-101 OF THE REAL
 34 PROPERTY ARTICLE.

35 [(d)] (E) (1) In this subsection, "property insurance coverage" means
 36 property insurance against losses caused by perils that commonly are covered in

1 insurance policies described with terms similar to "standard fire" or "standard fire
 2 with extended coverage".

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

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

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

12 2. Use the value placed on the improvements that is
 13 determined by the lender's appraisal of the real property.

14 (3) A violation of this subsection or of subsection [(b)] (C)(1) of this
 15 section shall entitle the borrower to:

16 (i) Seek an injunction to prohibit the lender who has engaged or is
 17 engaging in the violation from continuing or engaging in the violation;

18 (ii) Reasonable attorney's fees; and

19 (iii) Damages directly resulting from the violation.

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

23 [(e)] (F) Under this subtitle, insurance may be obtained only:

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

26 (2) At rates not exceeding those approved by the Insurance
 27 Administration.

28 [(f)] (G) Within 25 days after a lender has charged for any insurance in
 29 connection with a loan, he shall deliver a copy of the appropriate policy or certificate
 30 to the borrower.

31 12-409.1.

32 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
 33 INDICATED.

34 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
 35 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE

1 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
2 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
3 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
4 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
5 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

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

15 (2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE
16 TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT
17 OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 45
18 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

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

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

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

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

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

33 12-410.

34 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
35 INDICATED.

36 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
37 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE
38 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §

1 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
2 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
3 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
4 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

5 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN
6 § 13-101 OF THE INSURANCE ARTICLE.

7 (4) "CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE" HAS
8 THE MEANING STATED IN § 13-101 OF THE INSURANCE ARTICLE.

9 (5) (I) "CREDIT LIFE INSURANCE" MEANS INSURANCE ON THE LIFE OF
10 A BORROWER THAT PROVIDES INDEMNITY FOR REPAYMENT OF A SPECIFIC LOAN OR
11 CREDIT TRANSACTION ON THE DEATH OF THE BORROWER; AND

12 (II) "CREDIT LIFE INSURANCE" DOES NOT INCLUDE LIFE
13 INSURANCE PAYABLE TO A BENEFICIARY DESIGNATED BY THE BORROWER OTHER
14 THAN THE OBLIGEE OF A SPECIFIC LOAN OR CREDIT TRANSACTION.

15 (6) "MORTGAGE LOAN" HAS THE MEANING STATED IN § 11-501 OF THE
16 FINANCIAL INSTITUTIONS ARTICLE.

17 (7) "PREMIUM" HAS THE MEANING STATED IN § 1-101 OF THE
18 INSURANCE ARTICLE.

19 (8) "SINGLE PREMIUM COVERAGE" MEANS INSURANCE FOR WHICH THE
20 TOTAL PREMIUM IS PAYABLE IN ONE LUMP SUM AT OR BEFORE THE TIME COVERAGE
21 COMMENCES.

22 (B) Subject to the provisions of this section, a lender may require a borrower to
23 insure and may collect from [him] THE BORROWER the premiums paid for insurance
24 on:

25 (1) Any real property securing the loan;

26 (2) The life of any person obligated on the loan; and

27 (3) The title of any real property securing the loan.

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

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

1 [(1) "Involuntary unemployment benefit insurance" means any insurance
2 designed to pay a lender the monthly payment obligation of a borrower who has
3 suffered an involuntary loss of employment.]

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

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

10 (I) CREDIT HEALTH INSURANCE;

11 (II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE;

12 OR

13 (III) CREDIT LIFE INSURANCE.

14 (2) NOTHING IN THIS SUBSECTION SHALL PROHIBIT THE FINANCING OF
15 ANY INSURANCE COVERAGE IN CONNECTION WITH A MOBILE HOME OR ITS
16 PREMISES, AS THOSE TERMS ARE DEFINED IN § 8A-101 OF THE REAL PROPERTY
17 ARTICLE.

18 (F) (1) (i) In this paragraph, "property insurance coverage" means
19 property insurance against losses caused by perils that commonly are covered in
20 insurance policies described with terms similar to "standard fire" or "standard fire
21 with extended coverage".

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

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

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

30 2. Use the value placed on the improvements that is
31 determined by the lender's appraisal of the real property.

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

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

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

3 2. Reasonable attorney's fees; and

4 3. Damages directly resulting from the violation.

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

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

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

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

13 (ii) A waiting period for the collection of benefits of at least 14 days;
14 and

15 (iii) Periodic benefits, the amount of each of which may not exceed
16 the originally scheduled total of payments under the loan contract, divided by the
17 number of installments.

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

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

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

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

28 [(e)] (G) Under this subtitle, insurance may be obtained only:

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

31 (2) At rates not exceeding those approved by the Insurance
32 Administration.

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

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

1 (2) From the lender.

2 12-1007.

3 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.

5 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
6 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED FOR A LOAN SUBJECT TO THE
7 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
8 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
9 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
10 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
11 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

12 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN
13 § 13-101 OF THE INSURANCE ARTICLE.

14 (4) "CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE" HAS
15 THE MEANING STATED IN § 13-101 OF THE INSURANCE ARTICLE.

16 (5) (I) "CREDIT LIFE INSURANCE" MEANS INSURANCE ON THE LIFE OF
17 A BORROWER THAT PROVIDES INDEMNITY FOR REPAYMENT OF A SPECIFIC LOAN OR
18 CREDIT TRANSACTION ON THE DEATH OF THE BORROWER.

19 (II) "CREDIT LIFE INSURANCE" DOES NOT INCLUDE LIFE
20 INSURANCE PAYABLE TO A BENEFICIARY DESIGNATED BY THE BORROWER OTHER
21 THAN THE OBLIGEE OF A SPECIFIC LOAN OR CREDIT TRANSACTION.

22 (6) "MORTGAGE LOAN" HAS THE MEANING STATED IN § 11-501 OF THE
23 FINANCIAL INSTITUTIONS ARTICLE.

24 (7) "PREMIUM" HAS THE MEANING STATED IN § 1-101 OF THE
25 INSURANCE ARTICLE.

26 (8) "SINGLE PREMIUM COVERAGE" MEANS INSURANCE FOR WHICH THE
27 TOTAL PREMIUM IS PAYABLE IN ONE LUMP SUM AT OR BEFORE THE TIME COVERAGE
28 COMMENCES.

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

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

34 (2) Subject to § 12-1007.1 of this subtitle, the purchase of property
35 insurance, title insurance, and credit loss insurance from an insurer of the borrower's
36 choice may be required if the loan is secured.

1 (3) (I) EXCEPT AS PROVIDED IN THIS SUBSECTION, A CREDIT
2 GRANTOR MAKING A COVERED LOAN MAY NOT FINANCE AS A PART OF THE COVERED
3 LOAN TRANSACTION SINGLE PREMIUM COVERAGE FOR:

4 1. CREDIT HEALTH INSURANCE;

5 2. CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT
6 INSURANCE; OR

7 3. CREDIT LIFE INSURANCE.

8 (II) NOTHING IN THIS SUBSECTION SHALL PROHIBIT THE
9 FINANCING OF ANY INSURANCE COVERAGE IN CONNECTION WITH A MOBILE HOME
10 OR ITS PREMISES, AS THOSE TERMS ARE DEFINED IN § 8A-101 OF THE REAL
11 PROPERTY ARTICLE.

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

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

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

19 [(e)] (F) (1) In this subsection, "property insurance coverage" means
20 property insurance against losses caused by perils that commonly are covered in
21 insurance policies described with terms similar to "standard fire" or "standard fire
22 with extended coverage".

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

28 (ii) In determining the replacement value of the improvements on
29 any property, the lender may:

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

32 2. Use the value placed on the improvements that is
33 determined by the lender's appraisal of the real property.

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

35 (i) Seek an injunction to prohibit the credit grantor who has
36 engaged or is engaging in the violation from continuing or engaging in the violation;

- 1 (ii) Reasonable attorney's fees; and
- 2 (iii) Damages directly resulting from the violation.
- 3 (4) A violation of this subsection does not affect the validity of the first
4 lien securing the loan.

5 12-1029.

6 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
7 INDICATED.

8 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
9 SUBTITLE THAT MEETS THE CRITERIA ~~DESCRIBED~~ FOR A LOAN SUBJECT TO THE
10 FEDERAL HOME OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. §
11 1602(AA), AS MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226,
12 EXCEPT THAT THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL
13 BE ONE PERCENTAGE POINT LESS THAN THOSE SPECIFIED IN 15 U.S.C. § 1602(AA), AS
14 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

21 (2) A BORROWER IS PRESUMED TO BE ABLE TO REPAY A LOAN IF AT THE
22 TIME THE LOAN IS MADE THE BORROWER'S TOTAL SCHEDULED MONTHLY PAYMENT
23 OBLIGATIONS, INCLUDING THE REQUIRED LOAN PAYMENT, DO NOT EXCEED 40 45
24 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

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

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

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

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

35 (II) A LIST OF AGENCIES AND ORGANIZATIONS APPROVED BY THE
36 COUNTY IN WHICH THE RESIDENTIAL REAL PROPERTY SECURING THE COVERED

1 LOAN IS LOCATED TO PROVIDE HOME BUYER EDUCATION OR HOUSING
 2 COUNSELING.

3 *SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland*
 4 *read as follows:*

5 **Article - Financial Institutions**

6 1-209.

7 (A) ONLY THE STATE MAY ENACT A LAW WHICH PURPORTS TO REGULATE
 8 EXTENSIONS OF CREDIT MADE BY A FINANCIAL INSTITUTION.

9 (B) THIS SECTION DOES NOT:

10 (1) AFFECT FEDERAL LAW PREEMPTION OF STATE LAW;

11 (2) RESTRICT OR OTHERWISE AFFECT LOCAL LAWS THAT ESTABLISH
 12 PROPERTY OWNERSHIP OR THE RIGHTS AND OBLIGATIONS OF PROPERTY OWNERS;
 13 ~~OR~~

14 (3) RESTRICT OR OTHERWISE AFFECT A LOCAL GOVERNMENT'S ABILITY
 15 TO REGULATE ITS ~~FISCAL OR ECONOMIC~~ FISCAL, ECONOMIC, OR COMMUNITY
 16 DEVELOPMENT POLICY;

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

20 (5) RESTRICT OR OTHERWISE AFFECT A LOCAL GOVERNMENT'S ABILITY
 21 TO ESTABLISH OR ADMINISTER LOAN PROGRAMS TO ASSIST RESIDENTS WITH
 22 FINANCIAL NEEDS.

23 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That *Section 2* of this Act
 24 shall apply to all *local* laws in existence on or after June 1, 2002 that purport to
 25 regulate extensions of credit by financial institutions.

26 *SECTION 4. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall*
 27 *take effect October 1, 2002.*

28 SECTION ~~3~~ 5. AND BE IT FURTHER ENACTED, That, *except as provided in*
 29 *Section 4 of this Act*, this Act shall take effect June 1, 2002.

