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By: **Delegates McIntosh and Wood**  
Introduced and read first time: February 4, 2002  
Assigned to: Commerce and Government Matters

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 22, 2002

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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; and generally relating to the enactment of laws regulating credit  
13 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  
17 Annotated Code of Maryland  
18 (2000 Replacement Volume and 2001 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article - Commercial Law  
21 Section 12-311, 12-312, 12-410, and 12-1007  
22 Annotated Code of Maryland  
23 (2000 Replacement Volume and 2001 Supplement)

24 BY adding to

1 Article - Financial Institutions  
2 Section 1-209  
3 Annotated Code of Maryland  
4 (1998 Replacement Volume and 2001 Supplement)

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

7 **Article - Commercial Law**

8 12-124.1.

9 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
10 INDICATED.

11 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS  
12 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED IN 15 U.S.C. § 1602(AA), AS  
13 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

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

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

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

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

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

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

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

- 1           (I)     CREDIT HEALTH INSURANCE;  
2           (II)    CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE;  
3 OR  
4           (III)   CREDIT LIFE INSURANCE.

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

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

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

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

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

19 12-127.

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

22           (2)     "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS  
23 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED IN 15 U.S.C. § 1602(AA), AS  
24 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

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

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

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

5 12-311.

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

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

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

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

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

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

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

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

23                   (i)     The principal amount of the loan;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 12-312.

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

28 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN §  
29 13-101 OF THE INSURANCE ARTICLE.

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

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

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

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

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

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

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

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

12           (2)     [Accident and] CREDIT health insurance covering any one or more  
13 borrowers, if the insurance does not provide for benefits exceeding the actual period of  
14 disability;

15           (3)     Credit life insurance:

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

18                   (ii)    Covering any one or more borrowers for any loan of \$700 or  
19 more in value or amount; and

20           (4)     [Involuntary] CREDIT INVOLUNTARY unemployment benefit  
21 insurance covering any one borrower, if the insurance:

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

24                   (ii)    Is not contingent upon the purchase of any other type of  
25 insurance permitted under this subtitle.

26     [(b)]   (C)     (1)     A lender may not require that the 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

31                   (ii)    Receive and transmit premiums or other identifiable charges  
32 for the insurance.

33           (3)     Subject to subsection [(d)] (E) of this section, at the option of the  
34 borrower, a lender may be coinsured or protected to the extent of his interest by a  
35 mortgagee clause.

1 [(c)] (D) (1) (i) Subject to subsection [(d)] (E) of this section, the amount of  
2 property insurance may not exceed either the reasonable value of the property  
3 insured or the originally scheduled total of payments under the loan contract.

4 (ii) The terms and conditions of the property insurance policy shall  
5 be filed with and approved by the Insurance Commissioner.

6 (iii) Property insurance may be provided by the lender if the  
7 borrower, at the time the loan is made, fails to furnish a loss payable endorsement for  
8 the protection of the lender in an amount sufficient to cover the amount of the loan or  
9 the value of the property securing the loan, whichever is less.

10 (iv) If, however, within 30 days of the inception date of the loan, the  
11 borrower does provide a loss payable endorsement for the protection of the lender, and  
12 no claim has been filed under the coverage purchased, the lender shall cancel the  
13 property insurance on the loan and shall refund the entire original property  
14 insurance premium to the borrower.

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

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

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

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

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

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

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

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

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

- 1                                    1.        CREDIT HEALTH INSURANCE;  
 2                                    2.        CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT  
 3 INSURANCE; OR  
 4                                    3.        CREDIT LIFE INSURANCE.

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

9        [(d)]    (E)       (1)       In this subsection, "property insurance coverage" means  
 10 property insurance against losses caused by perils that commonly are covered in  
 11 insurance policies described with terms similar to "standard fire" or "standard fire  
 12 with extended coverage".

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

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

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

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

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

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

28                                    (ii)       Reasonable attorney's fees; and

29                                    (iii)       Damages directly resulting from the violation.

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

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

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



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

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

6 12-409.1.

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

9                   (2)     "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS  
10 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED 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)     "HOME BUYER EDUCATION OR HOUSING COUNSELING" MEANS  
13 INSTRUCTION ON PREPARING FOR HOME OWNERSHIP, SHOPPING FOR A HOME,  
14 OBTAINING A MORTGAGE, LOAN CLOSING, AND LIFE AS A HOMEOWNER.

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

18     (B)     (1)     A LENDER MAY NOT MAKE A COVERED LOAN WITHOUT GIVING DUE  
19 REGARD TO THE BORROWER'S ABILITY TO REPAY THE LOAN IN ACCORDANCE WITH  
20 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  
24 PERCENT OF THE BORROWER'S MONTHLY GROSS INCOME.

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

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

31                  (2)     AT THE TIME A BORROWER COMPLETES A LOAN APPLICATION FOR A  
32 COVERED LOAN, THE LENDER 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 12-410.

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

6 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS  
7 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED IN 15 U.S.C. § 1602(AA), AS  
8 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

9 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN  
10 § 13-101 OF THE INSURANCE ARTICLE.

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

13 (I) "CREDIT LIFE INSURANCE" MEANS INSURANCE ON THE LIFE OF  
14 A BORROWER THAT PROVIDES INDEMNITY FOR REPAYMENT OF A SPECIFIC LOAN OR  
15 CREDIT TRANSACTION ON THE DEATH OF THE BORROWER; AND

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

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

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

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

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

29 (1) Any real property securing the loan;

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

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

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

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

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

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

11 [(d)] (E) (1) EXCEPT AS PROVIDED IN THIS SUBSECTION, A LENDER MAKING  
12 A COVERED LOAN MAY NOT FINANCE AS A PART OF THE COVERED LOAN  
13 TRANSACTION 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 (F) (1) (i) In this paragraph, "property insurance coverage" means  
23 property insurance against losses caused by perils that commonly are covered in  
24 insurance policies described with terms similar to "standard fire" or "standard fire  
25 with extended coverage".

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

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

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

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

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

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

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

5 2. Reasonable attorney's fees; and

6 3. Damages directly resulting from the violation.

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

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

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

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

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

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

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

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

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

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

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

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

33 (2) At rates not exceeding those approved by the Insurance  
34 Administration.

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

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

3 (2) From the lender.

4 12-1007.

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

7 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS  
8 SUBTITLE THAT MEETS THE CRITERIA DESCRIBED IN 15 U.S.C. § 1602(AA), AS  
9 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

10 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN  
11 § 13-101 OF THE INSURANCE ARTICLE.

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

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

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

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

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

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

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

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

32 (2) Subject to § 12-1007.1 of this subtitle, the purchase of property  
33 insurance, title insurance, and credit loss insurance from an insurer of the borrower's  
34 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 IN 15 U.S.C. § 1602(AA), AS  
10 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226.

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

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

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

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

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

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

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

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

1

**Article - Financial Institutions**

2 1-209.

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

5 (B) THIS SECTION DOES NOT:

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

7 (2) RESTRICT OR OTHERWISE AFFECT LOCAL LAWS THAT ESTABLISH  
8 PROPERTY OWNERSHIP OR THE RIGHTS AND OBLIGATIONS OF PROPERTY OWNERS;  
9 ~~OR~~

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

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

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

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
20 laws in existence on or after June 1, 2002 that purport to regulate extensions of credit  
21 by financial institutions.

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 June 1, 2002.