

SENATE BILL 841

Unofficial Copy
I2
HB 1056/01 - CGM

2002 Regular Session
2lr2844

By: **Senators Conway and Exum**
Introduced and read first time: February 15, 2002
Assigned to: Rules
Re-referred to: Finance, February 20, 2002

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: April 6, 2002

CHAPTER _____

1 AN ACT concerning

2 ~~Mortgage Lending – Financing of Single Premium Insurance Coverages–~~
3 ~~Prohibited~~
4 Credit Regulation - Extensions of Credit

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

18 BY adding to
19 Article - Commercial Law
20 ~~Section 12-127, 12-909.2, and 12-1007.2~~
21 Section 12-124.1, 12-127, 12-409.1, and 12-1029
22 Annotated Code of Maryland
23 (2000 Replacement Volume and 2001 Supplement)

24 BY repealing and reenacting, with amendments,

1 Article - Commercial Law
 2 Section 12-311, 12-312, 12-410, and 12-1007
 3 Annotated Code of Maryland
 4 (2000 Replacement Volume and 2001 Supplement)

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

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

12 **Article - Commercial Law**

13 ~~12-127.~~

14 ~~(A) A LENDER MAY NOT FINANCE, DIRECTLY OR INDIRECTLY, AS PART OF A~~
 15 ~~MORTGAGE LOAN, ANY SINGLE PREMIUM INSURANCE COVERAGES, INCLUDING:~~

16 ~~(1) CREDIT LIFE;~~

17 ~~(2) CREDIT ACCIDENT AND HEALTH;~~

18 ~~(3) CREDIT DISABILITY;~~

19 ~~(4) INVOLUNTARY UNEMPLOYMENT BENEFIT; OR~~

20 ~~(5) ANY OTHER LIFE OR HEALTH INSURANCE.~~

21 ~~(B) A PERSON WHO WILLFULLY VIOLATES THIS SECTION IS GUILTY OF A~~
 22 ~~MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT EXCEEDING \$1,000~~
 23 ~~OR IMPRISONMENT NOT EXCEEDING 1 YEAR OR BOTH.~~

24 ~~12-909.2.~~

25 ~~A CREDIT GRANTOR MAY NOT FINANCE, DIRECTLY OR INDIRECTLY, AS PART OF~~
 26 ~~A MORTGAGE LOAN, ANY SINGLE PREMIUM INSURANCE COVERAGES, INCLUDING:~~

27 ~~(1) CREDIT LIFE;~~

28 ~~(2) CREDIT ACCIDENT AND HEALTH;~~

29 ~~(3) CREDIT DISABILITY;~~

30 ~~(4) INVOLUNTARY UNEMPLOYMENT BENEFIT; OR~~

31 ~~(5) ANY OTHER LIFE OR HEALTH INSURANCE.~~

1 ~~12-1007.2.~~

2 A CREDIT GRANTOR MAY NOT FINANCE, DIRECTLY OR INDIRECTLY, AS PART OF
3 A MORTGAGE LOAN, ANY SINGLE PREMIUM INSURANCE COVERAGES, INCLUDING:

4 (1) CREDIT LIFE;

5 (2) CREDIT ACCIDENT AND HEALTH;

6 (3) CREDIT DISABILITY;

7 (4) INVOLUNTARY UNEMPLOYMENT BENEFIT; OR

8 (5) ANY OTHER LIFE OR HEALTH INSURANCE.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
10 effect October 1, 2001.

11 12-124.1.

12 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
13 INDICATED.

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

21 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN §
22 13-101 OF THE INSURANCE ARTICLE.

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

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

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

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

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

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

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

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

9 (I) CREDIT HEALTH INSURANCE;

10 (II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE;
11 OR

12 (III) CREDIT LIFE INSURANCE.

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

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

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

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

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

27 12-127.

28 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
29 INDICATED.

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

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

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

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

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

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

17 12-311.

18 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
19 INDICATED.

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

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

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

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

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

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

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

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

2 (i) The principal amount of the loan;

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

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

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

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

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

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

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

12 (D) (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 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 (E) (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.

1 12-312.

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

4 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
5 SUBTITLE THAT MEETS THE CRITERIA FOR A LOAN SUBJECT TO THE FEDERAL HOME
6 OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. § 1602(AA), AS
7 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226, EXCEPT THAT
8 THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL BE ONE
9 PERCENTAGE POINT LESS THAN THOSE SPECIFIED 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) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN
12 § 13-101 OF THE INSURANCE ARTICLE.

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

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

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

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

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

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

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

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

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

35 (3) Credit life insurance;

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

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

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

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

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

11 [(b)] (C) (1) A lender may not require that the insurance be purchased
12 through a particular insurance producer or insurance company.

13 (2) The lender may:

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

16 (ii) Receive and transmit premiums or other identifiable charges
17 for the insurance.

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

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

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

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

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

35 (v) A lender providing property insurance under this section shall
36 give the borrower, at the time the loan is made, a written notice of the borrower's

1 right to provide a loss payable endorsement for the protection of the lender and the
 2 borrower's right to a refund of the entire property insurance premium.

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

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

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

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

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

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

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

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

23 1. CREDIT HEALTH INSURANCE;

24 2. CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT
 25 INSURANCE; OR

26 3. CREDIT LIFE INSURANCE.

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

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

35 (2) (i) A lender may not require a borrower, as a condition to receiving
 36 or maintaining a loan secured by a first mortgage or first deed of trust, to provide or

1 purchase property insurance coverage against risks to any improvements on any real
 2 property in an amount exceeding the replacement value of improvements on the real
 3 property.

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

6 1. Accept the value placed on the improvements by the
 7 insurer; or

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

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

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

14 (ii) Reasonable attorney's fees; and

15 (iii) Damages directly resulting from the violation.

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

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

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

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

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

27 12-409.1.

28 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
 29 INDICATED.

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

1 (3) "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 (4) "RESIDENTIAL REAL PROPERTY" MEANS OWNER-OCCUPIED REAL
5 PROPERTY HAVING A DWELLING ON IT DESIGNED PRINCIPALLY AS A RESIDENCE
6 WITH ACCOMMODATIONS FOR NOT MORE THAN FOUR FAMILIES.

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

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

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

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

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

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

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

28 12-410.

29 (a) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
30 INDICATED.

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

1 (3) "CREDIT HEALTH INSURANCE" HAS THE MEANING STATED IN
2 § 13-101 OF THE INSURANCE ARTICLE.

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

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

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

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

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

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

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

21 (1) Any real property securing the loan;

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

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

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

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

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

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

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

7 (I) CREDIT HEALTH INSURANCE;

8 (II) CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE;
 9 OR

10 (III) CREDIT LIFE INSURANCE.

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

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

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

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

25 1. Accept the value placed on the improvements by the
 26 insurer; or

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

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

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

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

35 2. Reasonable attorney's fees; and

36 3. Damages directly resulting from the violation.

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

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

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

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

9 (ii) A waiting period for the collection of benefits of at least 14 days;
10 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 (4) The CREDIT involuntary unemployment benefit insurance may not
15 provide that:

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

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

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

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

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

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

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

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

31 (2) From the lender.

32 12-1007.

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

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

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

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

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

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

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

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

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

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

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

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

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

36 1. CREDIT HEALTH INSURANCE;

1 2. CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT
 2 INSURANCE; OR

3 3. CREDIT LIFE INSURANCE.

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

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

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

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

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

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

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

26 1. Accept the value placed on the improvements by the
 27 insurer; or

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

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

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

33 (ii) Reasonable attorney's fees; and

34 (iii) Damages directly resulting from the violation.

35 (4) A violation of this subsection does not affect the validity of the first
 36 lien securing the loan.

1 12-1029.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
3 INDICATED.

4 (2) "COVERED LOAN" MEANS A MORTGAGE LOAN MADE UNDER THIS
5 SUBTITLE THAT MEETS THE CRITERIA FOR A LOAN SUBJECT TO THE FEDERAL HOME
6 OWNERSHIP EQUITY PROTECTION ACT SET FORTH IN 15 U.S.C. § 1602(AA), AS
7 MODIFIED FROM TIME TO TIME BY REGULATION Z, 12 C.F.R. PART 226, EXCEPT THAT
8 THE COMPARISON PERCENTAGES FOR THE MORTGAGE LOAN SHALL BE ONE
9 PERCENTAGE POINT LESS THAN THOSE SPECIFIED 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 45
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.

35 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
36 read as follows:

1

Article - Financial Institutions2 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 (3) RESTRICT OR OTHERWISE AFFECT A LOCAL GOVERNMENT'S ABILITY
10 TO REGULATE ITS FISCAL, ECONOMIC, OR COMMUNITY DEVELOPMENT POLICY;

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

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

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

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

22 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in
23 Section 4 of this Act, this Act shall take effect June 1, 2002.