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2004 Regular Session 4lr2924

By: Senator Stone

Introduced and read first time: February 20, 2004

Assigned to: Rules

1 AN ACT concerning

A BILL ENTITLED

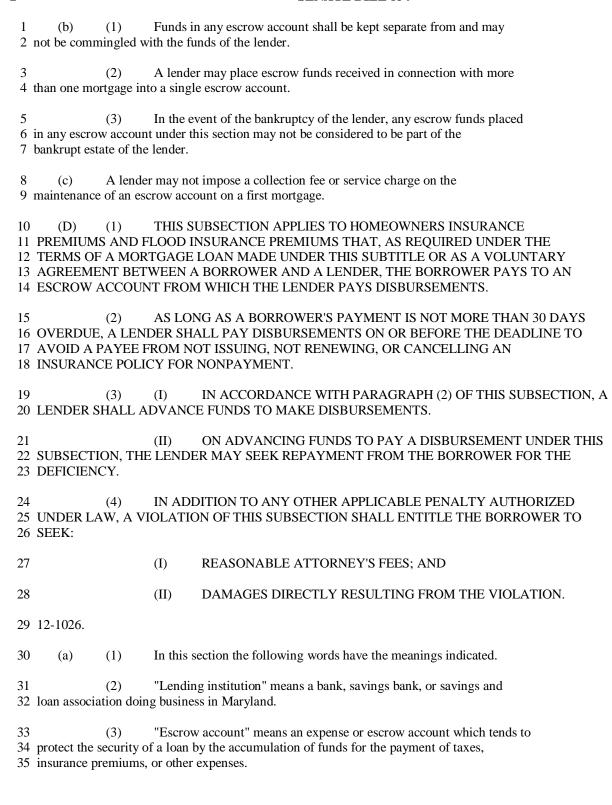
2 3	Credit Regulation - Escrow Accounts - Homeowners and Flood Insurance Premiums

- 4 FOR the purpose of requiring a certain lender or credit grantor to pay disbursements
- 5 for certain homeowners insurance and flood insurance on or before the deadline
- 6 to avoid a payee from not issuing, not renewing, or canceling an insurance policy
- for nonpayment, as long as a certain payment is not more than 30 days overdue;
- 8 requiring a lender or credit grantor to advance funds to make disbursements in
- 9 accordance with a certain provision; allowing a lender or credit grantor, on
- advancing certain funds, to seek repayment from the borrower for the
- deficiency; providing that a certain violation entitles a borrower to seek
- reasonable attorney's fees and certain damages; and generally relating to the
- payment of homeowners and flood insurance premiums from escrow accounts.
- 14 BY repealing and reenacting, with amendments,
- 15 Article Commercial Law
- 16 Section 12-109.2 and 12-1026
- 17 Annotated Code of Maryland
- 18 (2000 Replacement Volume and 2003 Supplement)
- 19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
- 20 MARYLAND, That the Laws of Maryland read as follows:

21 Article - Commercial Law

22 12-109.2.

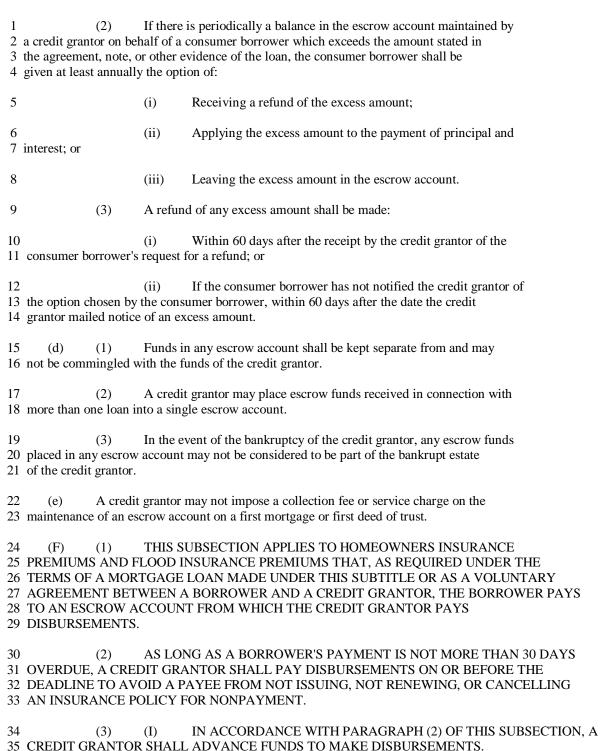
- 23 (a) (1) In this section the following terms have the meanings indicated.
- 24 (2) "Escrow account" has the meaning stated in § 12-109 of this subtitle.
- 25 "Lender" includes a lender and assignee of a lender.
- 26 "Mortgage" includes a mortgage and a deed of trust.



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3 4	(b) (1) A lending institution that makes a loan to a consumer borrower secured by a first mortgage or first deed of trust on residential real property and creates or is the assignee of an escrow account in connection with that loan shall pay interest to the consumer borrower on the funds in the escrow account at the greater of:						
6		(i)	A rate o	f 3 percent per annum simple interest; or			
7 8	regular passbook savi	(ii) The rate of interest regularly paid by the lending institution on ngs accounts.					
9	(2)	Interest on these funds shall be:					
10 11	account; and	(i)	Computed on the average monthly balance in the escrow				
12 13	with the amount of ir	(ii) Paid annually to the borrower by crediting the escrow account atterest due.					
14 15	(3) borrower with a state	The lending institution shall annually provide the consumer a statement of the escrow balance.					
18	The provisions of this subsection do not apply to a lending institution that provides for the payment of taxes, insurance, or other expenses under the direct reduction method by which these expenses, when paid by the lending institution, are added to the outstanding principal balance of the loan.						
20	(5)	(i)	This sub	section does not apply if the loan:			
	1. Is purchased by an out-of-state lender through the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation; and						
24 25	condition of purchase	e.	2.	The out-of-state lender elects to service the loan as a			
26 27	subsection shall appl	(ii) y if the o		standing subparagraph (i) of this paragraph, this e lender:			
28			1.	Sells the loan to a Maryland lender; or			
29			2.	Places the loan with a Maryland lender for servicing.			
32	0 (c) (1) Except upon foreclosure, release, or as provided in paragraph (2) of 1 this subsection, funds in any escrow account maintained by a credit grantor on behalf 2 of a consumer borrower for use in paying taxes, insurance premiums, and ground 3 rents may not be used:						
34		(i)	To redu	ce the principal; or			
35		(ii)	To pay i	nterest or other loan charges.			

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	(II) ON ADVANCING FUNDS TO PAY A DISBURSEMENT UNDER THIS SUBSECTION, THE CREDIT GRANTOR MAY SEEK REPAYMENT FROM THE BORROWER FOR THE DEFICIENCY.
	(4) IN ADDITION TO ANY OTHER APPLICABLE PENALTY AUTHORIZED UNDER LAW, A VIOLATION OF THIS SUBSECTION SHALL ENTITLE THE BORROWER TO SEEK:
7	(I) REASONABLE ATTORNEY'S FEES; AND
8	(II) DAMAGES DIRECTLY RESULTING FROM THE VIOLATION.
9 10	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2004.