

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 765 (Delegate Smigiel, *et al.*)
Economic Matters

Credit Regulation - Residential Mortgages and Deeds of Trust - Prepayment

This bill provides that a borrower may pay, at any time and without penalty, all or part of the outstanding balance under a noncommercial loan secured by mortgage or deed of trust on the borrower's primary residence. The bill repeals the provision that allows a loan contract for this type of loan to expressly prohibit a borrower from prepaying the loan.

The bill applies only prospectively and does not affect, or apply to, any loan contract executed before October 1, 2004.

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Commissioner of Financial Regulation.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: For a noncommercial loan that is secured by a mortgage or deed of trust on the borrower's primary residence, except to the extent expressly provided otherwise in the loan contract, a borrower may prepay all or part of the outstanding balance under the loan at any time. In the event that the entire loan is prepaid, the lender must refund or credit the borrower with the unearned portion of the precomputed interest charge.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2004
ncs/mdr

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