

SENATE BILL 913

I2

71r3006
CF HB 1281

By: **Senators Klausmeier and Brochin**

Introduced and read first time: February 23, 2007

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Prepayment Charge or Penalty – Prohibition**

3 FOR the purpose of prohibiting a lender that terminates a line of credit from requiring
4 a borrower who is in good standing with the lender to pay a prepayment charge
5 or penalty on a partial or full prepayment of the unpaid principal balance of the
6 line of credit; providing that existing obligations or contract rights may not be
7 impaired by this Act; providing for the application of this Act; and generally
8 relating to a prepayment charge or penalty in connection with a line of credit.

9 BY repealing and reenacting, with amendments,
10 Article – Commercial Law
11 Section 12–105(b)
12 Annotated Code of Maryland
13 (2005 Replacement Volume and 2006 Supplement)

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

16 **Article – Commercial Law**

17 12–105.

18 (b) **(1)** If the loan contract provides for them, the following fees and
19 charges also may be collected and are not interest under this subtitle:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(1)] (I) A service charge for investigation and the continued
2 servicing of collateral for a commercial loan secured by inventory or accounts
3 receivable;

4 [(2)] (II) A service charge made by a broker or dealer dealing in
5 investment securities if:

6 [(i)] 1. Money is advanced on the security of pledged
7 investment securities; and

8 [(ii)] 2. Services are rendered in the collection, crediting, and
9 disbursement of income on the investment securities and in the furnishing of income
10 tax and other information in connection with that income;

11 [(3)] (III) A delinquent or late charge of the greater of \$2 or 5 percent
12 of the total amount of any delinquent or late periodic installment of principal and
13 interest, if:

14 [(i)] 1. The delinquency has continued for at least 15
15 calendar days; and

16 [(ii)] 2. A delinquent or late charge has not already been
17 charged for the same delinquency; and

18 [(4)] (IV) A prepayment charge or penalty on a prepayment of the
19 unpaid principal balance of the loan, if the loan is secured by a home, by a combination
20 of home and business property, or by agricultural property, or if the loan is a
21 commercial loan not in excess of \$5,000, provided that the charge or penalty:

22 [(i)] 1. May be imposed only on prepayments made within
23 three years from the date the loan is made; and

24 [(ii)] 2. May not exceed an amount equal to two months'
25 advance interest on the aggregate amount of all prepayments made in any 12-month
26 period in excess of one third of the amount of the original loan.

27 **(2) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, A**
28 **LENDER THAT TERMINATES A LINE OF CREDIT MAY NOT REQUIRE A BORROWER**
29 **WHO IS IN GOOD STANDING WITH THE LENDER TO PAY A PREPAYMENT CHARGE**
30 **OR PENALTY ON A PARTIAL OR FULL PREPAYMENT OF THE UNPAID PRINCIPAL**
31 **BALANCE OF THE LINE OF CREDIT.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That a presently existing
2 obligation or contract right may not be impaired in any way by this Act.

3 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall be
4 construed to apply only prospectively and may not be applied or interpreted to have
5 any effect on or application to any line of credit established before the effective date of
6 this Act.

7 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 2007.