

# SENATE BILL 825

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8lr3042  
CF 8lr2392

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By: **Senator Conway**

Introduced and read first time: February 8, 2008

Assigned to: Rules

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## A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Terms Relating to Prepayment Charges and Penalties**  
3 **and Class Actions**

4 FOR the purpose of prohibiting certain loan contracts, instruments that evidence or  
5 secure certain loans and agreements, notes, or other evidence of certain loans  
6 from including a provision that prohibits a borrower from joining a class action  
7 brought in connection with a violation of certain provisions of law relating to  
8 prepayment charges and penalties; and generally relating to prepayment  
9 charges and penalties and class actions.

10 BY adding to

11 Article – Commercial Law  
12 Section 12–111.1 and 12–1019.1  
13 Annotated Code of Maryland  
14 (2005 Replacement Volume and 2007 Supplement)

15 BY repealing and reenacting, with amendments,

16 Article – Commercial Law  
17 Section 12–409  
18 Annotated Code of Maryland  
19 (2005 Replacement Volume and 2007 Supplement)

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

22 **Article – Commercial Law**

23 **12–111.1.**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           **A CONTRACT FOR A LOAN MADE UNDER THIS SUBTITLE MAY NOT INCLUDE**  
2 **A PROVISION THAT PROHIBITS A BORROWER FROM JOINING A CLASS ACTION**  
3 **BROUGHT IN CONNECTION WITH A VIOLATION OF § 12-105(B)(4) OF THIS**  
4 **SUBTITLE.**

5 12-409.

6           An instrument which evidences or secures a loan may not contain any:

7           (1) Acceleration clause under which any part or all of the unpaid  
8 balance of the loan not yet matured may be declared due and payable for any reason  
9 other than default by the debtor in the payment or in another required term of the  
10 instrument;

11           (2) Provision by which the debtor waives any right accruing to him  
12 under the provisions of this subtitle; [or]

13           (3) Assignment or order for the payment of wages, whether earned or  
14 to be earned; **OR**

15           **(4) PROVISION THAT PROHIBITS A BORROWER FROM JOINING A**  
16 **CLASS ACTION BROUGHT IN CONNECTION WITH A VIOLATION OF § 12-407(D) OF**  
17 **THIS SUBTITLE.**

18 **12-1019.1.**

19           **AN AGREEMENT, NOTE, OR OTHER EVIDENCE OF A LOAN MADE UNDER**  
20 **THIS SUBTITLE MAY NOT INCLUDE A PROVISION THAT PROHIBITS A BORROWER**  
21 **FROM JOINING A CLASS ACTION BROUGHT IN CONNECTION WITH A VIOLATION**  
22 **OF § 12-1009(E) OF THIS SUBTITLE.**

23           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 October 1, 2008.