

# SENATE BILL 898

I2

(0lr3236)

## ENROLLED BILL

— Finance/Economic Matters —

Introduced by ~~Senator Glassman~~ Senators Glassman, Middleton, and Klausmeier

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Credit Regulation – Installment Loans Secured by Motor Vehicle Lien**  
3 **– Balloon Payments**

4 FOR the purpose of authorizing a credit grantor that makes a certain installment loan  
5 secured by a lien on a motor vehicle to a consumer borrower to require the  
6 consumer borrower to pay a balloon payment at maturity of the installment  
7 loan *if the loan exceeds a certain amount*; and generally relating to installment  
8 loans secured by a lien on a motor vehicle.

9 BY repealing and reenacting, with amendments,  
10 Article – Commercial Law  
11 Section 12–1003  
12 Annotated Code of Maryland  
13 (2005 Replacement Volume and 2009 Supplement)

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**EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics* indicate opposite chamber/conference committee amendments.



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

3 **Article – Commercial Law**

4 12–1003.

5 (a) A credit grantor may charge and collect interest on a loan at any daily,  
6 weekly, monthly, annual, or other periodic percentage rate as the agreement, the note,  
7 or other evidence of the loan provides if the effective rate of simple interest is not in  
8 excess of 24 percent per year. The rate of interest chargeable on a loan must be  
9 expressed in the agreement as a simple interest rate or rates.

10 (b) (1) Interest may be calculated by way of simple interest or by any  
11 other method as the agreement, note, or other evidence of the loan provides. If the  
12 interest is precomputed, it may be calculated on the assumption that all scheduled  
13 payments will be made when due.

14 (2) For purposes of this section, a year may be any period of from 360  
15 to 366 days, including or disregarding the effect of leap year, as the credit grantor may  
16 determine.

17 (c) (1) **(I) ~~IF EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS~~**  
18 **SUBSECTION, IF** an installment loan under this subtitle made to a consumer borrower  
19 is secured by collateral other than a lien on residential real property ~~OR ON A MOTOR~~  
20 ~~VEHICLE FOR WHICH THE INSTALLMENT LOAN AMOUNT EXCEEDS \$30,000~~, the  
21 credit grantor may not require a schedule of repayment under which a consumer  
22 borrower may be required to pay a balloon payment at maturity.

23 ~~(2)~~ **(II)** If an installment loan under this subtitle made to a  
24 consumer borrower is secured by a secondary lien on residential real property, the  
25 credit grantor may require a schedule of repayment providing for a balloon payment at  
26 maturity. On request, the consumer borrower is permitted to postpone payment of the  
27 balloon payment once for a period not to exceed 6 months. The borrower must continue  
28 to make installment payments in the amount required prior to maturity during the  
29 extension period. The credit grantor may not impose any charges or fees as a result of  
30 allowing an extension period.

31 **(2) A CREDIT GRANTOR MAY REQUIRE A SCHEDULE OF**  
32 **REPAYMENT UNDER WHICH A CONSUMER BORROWER MAY BE REQUIRED TO PAY**  
33 **A BALLOON PAYMENT AT MATURITY IF:**

34 **(I) THE AMOUNT OF THE INSTALLMENT LOAN EXCEEDS**  
35 **\$30,000; AND**

1                                    **(II) THE INSTALLMENT LOAN IS SECURED BY A LIEN ON A**  
2 **MOTOR VEHICLE.**

3                    SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4                    October 1, 2010.

Approved:

\_\_\_\_\_ Governor.

\_\_\_\_\_ President of the Senate.

\_\_\_\_\_ Speaker of the House of Delegates.