

HOUSE BILL 730

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2lr2856
CF SB 258

By: **Delegate Kramer**

Introduced and read first time: February 8, 2012

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 28, 2012

CHAPTER _____

1 AN ACT concerning

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

4 FOR the purpose of altering the circumstances under which a credit grantor is
5 authorized to require a consumer borrower to pay a balloon payment at
6 maturity of an installment loan secured by a lien on a motor vehicle; limiting
7 the authority to liens on certain motor vehicles and installment loans in excess
8 of certain amounts; and generally relating to installment loans secured by a lien
9 on a motor vehicle.

10 BY repealing and reenacting, with amendments,
11 Article – Commercial Law
12 Section 12–1003
13 Annotated Code of Maryland
14 (2005 Replacement Volume and 2011 Supplement)

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

17 **Article – Commercial Law**

18 12–1003.

19 (a) A credit grantor may charge and collect interest on a loan at any daily,
20 weekly, monthly, annual, or other periodic percentage rate as the agreement, the note,

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.



1 or other evidence of the loan provides if the effective rate of simple interest is not in
2 excess of 24 percent per year. The rate of interest chargeable on a loan must be
3 expressed in the agreement as a simple interest rate or rates.

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

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

11 (c) (1) (i) Except as provided in paragraph (2) of this subsection, if an
12 installment loan under this subtitle made to a consumer borrower is secured by
13 collateral other than a lien on residential real property, the credit grantor may not
14 require a schedule of repayment under which a consumer borrower may be required to
15 pay a balloon payment at maturity.

16 (ii) If an installment loan under this subtitle made to a
17 consumer borrower is secured by a secondary lien on residential real property, the
18 credit grantor may require a schedule of repayment providing for a balloon payment at
19 maturity. On request, the consumer borrower is permitted to postpone payment of the
20 balloon payment once for a period not to exceed 6 months. The borrower must continue
21 to make installment payments in the amount required prior to maturity during the
22 extension period. The credit grantor may not impose any charges or fees as a result of
23 allowing an extension period.

24 (2) (I) 1. IN THIS PARAGRAPH THE FOLLOWING WORDS
25 HAVE THE MEANINGS INDICATED.

26 2. "MOTORCYCLE" HAS THE MEANING STATED IN §
27 11-136 OF THE TRANSPORTATION ARTICLE.

28 3. "PASSENGER CAR" HAS THE MEANING STATED IN
29 § 11-144.1 OF THE TRANSPORTATION ARTICLE.

30 (II) A credit grantor may require a schedule of repayment under
31 which a consumer borrower may be required to pay a balloon payment at maturity if:

32 [(i) The amount of the installment loan exceeds \$30,000; and

33 (ii)] 1. The installment loan is secured by a lien on a motor
34 vehicle **THAT IS A MOTORCYCLE OR PASSENGER CAR; AND**

