

HOUSE BILL 1027

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2lr2599
CF SB 901

By: **Delegates Barkley and Vaughn**

Introduced and read first time: February 10, 2012

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Retail Installment Sales and Closed End Credit – Debt**
3 **Cancellation Agreements – Definitions**

4 FOR the purpose of altering the definition of “debt cancellation agreement”, for
5 purposes of certain provisions of law governing retail installment sales and
6 closed end credit, to include an agreement under which the outstanding balance
7 of a loan is reduced by the actual cash value of a certain motor vehicle at the
8 time of loss; altering the definitions of “outstanding balance” and “remaining
9 loan balance” to exclude any other items as agreed to by the parties and stated
10 in the debt cancellation agreement; and generally relating to credit regulation
11 and debt cancellation agreements.

12 BY repealing and reenacting, without amendments,
13 Article – Commercial Law
14 Section 12–601(a) and 12–1001(a)
15 Annotated Code of Maryland
16 (2005 Replacement Volume and 2011 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Commercial Law
19 Section 12–601(h) and (p) and 12–1001(h) and (l)
20 Annotated Code of Maryland
21 (2005 Replacement Volume and 2011 Supplement)

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

24 **Article – Commercial Law**

25 12–601.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) In this subtitle the following words have the meanings indicated.

2 (h) “Debt cancellation agreement” means an agreement between a seller and
3 a buyer which provides for cancellation of the outstanding balance payable under an
4 installment sale agreement in the event of theft or total destruction of the motor
5 vehicle that is the subject of the installment sale agreement [after application of]
6 **MINUS** the proceeds of any insurance maintained on the motor vehicle **OR THE**
7 **ACTUAL CASH VALUE OF THE MOTOR VEHICLE AT THE TIME OF LOSS, AS**
8 **PROVIDED IN THE DEBT CANCELLATION AGREEMENT.**

9 (p) “Outstanding balance”, when used in reference to a debt cancellation
10 agreement, does not include:

11 (1) Any delinquent payments;

12 (2) Past due charges;

13 (3) Late payment charges;

14 (4) Unearned interest;

15 (5) Unearned rental payments; [or]

16 (6) By agreement of the parties, the amount of any primary insurance
17 deductible; **OR**

18 **(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN**
19 **THE DEBT CANCELLATION AGREEMENT.**

20 12–1001.

21 (a) In this subtitle the following words have the meanings indicated.

22 (h) “Debt cancellation agreement” means an agreement between a credit
23 grantor and a borrower which provides for cancellation of the remaining loan balance
24 in the event of theft or total destruction of the collateral for the loan [after application
25 of] **MINUS** the proceeds of any insurance maintained on the collateral for the loan **OR**
26 **THE ACTUAL CASH VALUE OF THE MOTOR VEHICLE AT THE TIME OF LOSS, AS**
27 **PROVIDED IN THE DEBT CANCELLATION AGREEMENT.**

28 (l) “Remaining loan balance”, when used in reference to a debt cancellation
29 agreement, does not include:

30 (1) Any delinquent payments;

31 (2) Past due charges;

- 1 (3) Late payment charges;
- 2 (4) Unearned interest;
- 3 (5) Unearned rental payments; [or]
- 4 (6) By agreement of the parties, the amount of any primary insurance
- 5 deductible; **OR**
- 6 **(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN**
- 7 **THE DEBT CANCELLATION AGREEMENT.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect

9 October 1, 2012.