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§12–103.

(a) (1) Except as provided in subsections (b), (c), (d), (e), and (f) of this section, a lender may charge interest at an effective rate of simple interest not in excess of 8 percent per year on the unpaid principal balance of a loan if there is a written agreement signed by the borrower which sets forth the stated rate of interest charged by the lender.

(2) If a loan made under paragraph (1) of this subsection is secured by the pledge of collateral which is a certificate of deposit held by the borrower, the lender may charge interest at a rate not to exceed 2 percent in excess of the rate of interest payable on the certificate of deposit.

(3) If a loan made under paragraph (1) of this subsection is secured by the pledge of collateral which is other than a savings account or if such loan is unsecured, the lender may charge a rate of interest not in excess of 18 percent. However, on a loan made on or after July 1, 1982, a lender may charge an effective rate of simple interest not in excess of 24 percent per year on the unpaid principal balance, provided that:

(i) If the loan is a renewal or refinancing of a loan made prior to July 1, 1982, the lender complies with § 12–116 of this subtitle;

(ii) If the loan includes a provision for a rate of interest which may be adjusted by the lender during the term of the loan, the lender complies with § 12–118 of this subtitle;

(iii) Upon the borrower's default, if the loan is secured by personal property, the lender complies with § 12–115 of this subtitle concerning repossession and redemption of the goods securing the loan;

(iv) If the loan is for the purchase of consumer goods, the loan contract complies with § 12–117 of this subtitle; and

(v) The loan does not include a balloon payment, unless payment in full is due on demand or in one year or less.

(b) (1) A lender may charge interest at any effective rate of simple interest on the unpaid principal balance of a loan if:

(i) There is a written agreement signed by the borrower which sets forth the stated rate of interest charged by the lender;

(ii) The loan is secured by a first mortgage or first deed of trust on any interest in residential real property;

(iii) There is no prepayment penalty in connection with the loan;

(iv) The loan is made and the mortgage or deed of trust is executed after the effective date of this section;

(v) The loan is not a refinancing of a loan secured by a first mortgage or first deed of trust on any interest in residential real property unless:

1. The lender is a banking institution, a national banking association, a federal savings bank, a federal or State savings and loan association, or a federal or State credit union; or

2. The loan is subject to the provisions of § 501(a)(1) of the Depository Institutions Deregulation and Monetary Control Act of 1980, Public Law 96–221, 94 Stat. 161; and

(vi) The lender does not require payment of any interest in advance except any points permitted under this subtitle.

(2) For purposes of this subsection, "refinancing" means increasing or altering the balance due, the term, or the interest rate of an existing loan or paying off an existing loan whether or not the lender also made the existing loan.

(3) (i) If the loan is a refinancing, the lender is limited as to the interest, fees and other charges made in connection with the refinanced loan to those provided in Subtitle 4 of this title.

(ii) The provisions of subparagraph (i) of this paragraph do not apply to:

1. A purchase money loan;

2. A lender refinancing an existing loan if the lender is a banking institution, a national banking association, a federal savings bank, a federal or State savings and loan association, a federal or State credit union, or a credit grantor refinancing the loan pursuant to Subtitle 9 or Subtitle 10 of this title; or

3. A loan that is subject to the provisions of § 501(a)(1) of the Depository Institutions Deregulation and Monetary Control Act of 1980, Public Law 96–221, 94 Stat. 161.

(4) A lender making a mortgage loan as defined under § 11–501 of the Financial Institutions Article shall be subject to the licensing provisions of Title 11, Subtitle 5 of the Financial Institutions Article.

(c) (1) Subject to paragraph (2) of this subsection, a lender may charge interest at an effective rate of simple interest not in excess of 18 percent per year on the unpaid principal balance of the loan. However, on a loan made on or after July 1, 1982, a lender may charge an effective rate of simple interest not in excess of 24 percent per year on the unpaid principal balance of the loan provided that:

(i) If the loan is a renewal or refinancing of a loan made prior to July 1, 1982, the lender complies with § 12–116 of this subtitle;

(ii) If the loan includes a provision for a rate of interest which may be adjusted by the lender during the term of the loan, the lender complies with § 12–118 of this subtitle;

(iii) Upon the borrower's default, if the loan is secured by personal property, the lender complies with § 12–115 of this subtitle concerning repossession and redemption of the goods securing the loan;

(iv) If the loan is for the purchase of consumer goods, the loan contract complies with § 12–117 of this subtitle; and

(v) The loan does not include a balloon payment, unless payment in full is due on demand or in 1 year or less.

(2) The rates permitted by this subsection may be charged only if:

(i) There is a written agreement signed by the borrower which sets forth the stated rate of interest charged by the lender;

(ii) The loan is not secured by a first mortgage or first deed of trust on real property;

(iii) The borrower is required to repay the loan in periodic installments, which may be regular, irregular, equal or unequal installments;

(iv) The loan is not secured by a confession of judgment or power of attorney to the lender or to a third person to confess judgment or appear for the borrower in a judicial proceeding;

(v) The loan is not secured by an instrument in which blanks are left to be filled after execution;

(vi) The loan is not secured by a note, promise to pay, or security instrument which does not state:

1. The principal amount of the loan;

2. A schedule of payments or a description of the schedule; and

3. The agreed amount or rate of interest, charges, and fees to be charged;

(vii) The loan is not secured by real property;

(viii) The loan is not secured by personal property for any loan under $700 in value or amount; and

(ix) The loan is not fully secured by investment securities or savings accounts.

(3) If interest on a loan made under this subsection is precomputed, and if the effective rate of simple interest required to be disclosed under § 12–106 of this subtitle is exceeded by reason of a prepayment of the loan, the lender shall refund the excess to the borrower or credit it to any unpaid principal balance owed by him.

(4) A lender who makes a loan under this subsection is subject to the licensing provisions of Title 11, Subtitle 3 of the Financial Institutions Article.

(d) A lender may charge interest at any rate not in excess of that permitted by federal law if the loan is:

(1) Secured by a mortgage or deed of trust;

(2) Insured or guaranteed in full or in part by the Federal Housing Administration, Veterans Administration, or any other federal agency or instrumentality; and

(3) Made in full compliance with applicable federal law.

(e) (1) A lender may charge interest at any rate if the loan is:

(i) A loan made to a corporation;

(ii) A commercial loan in excess of $15,000 not secured by residential real property; or

(iii) A commercial loan in excess of $75,000 secured by residential real property.

(2) Commercial loans to individuals secured by residential real property shall comply with the provisions of § 12–407.1 of this article.

(3) As used in this subsection, residential real property is owner–occupied property having a dwelling on it designated principally as a residence with accommodations for not more than 4 families.

(f) A broker or dealer, who is registered under the Securities Exchange Act of 1934, as amended, and under Title 11 of the Corporations and Associations Article, and who extends credit to a customer on pledged securities, may charge the customer on his debit balance interest at any rate if:

(1) The debit balance is payable on demand; and

(2) The debit balance is secured by securities as defined in § 11–101(s) of the Corporations and Associations Article.

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