

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 317
Finance

(Senator Brooks, *et al.*)

Credit Regulation - Maximum Interest Rate for Active Service Members (Service
Members Civil Relief Act)

This bill generally prohibits a creditor from charging interest in excess of 6% per year on the unpaid principal balance of an obligation held by an active service member (or jointly by an active service member and the active service member's spouse). The active service member or the active service member's spouse (if applicable) must provide specified notice and documentation to the creditor within a certain time period to qualify for the rate reduction. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: If a service member is assigned to active duty during the term of repayment for an obligation, interest in excess of 6% per year on the obligation held by the service member must be reduced in accordance with the bill.

On a reduction of an annual interest rate, interest charges in excess of 6% per year that would otherwise be owed but for the reduction must be forgiven, and any periodic payments due during the term of active duty must be recalculated at the reduced annual

interest rate using the same repayment frequency and term that existed immediately before the active-duty assignment.

To qualify for an interest rate reduction under the bill, the service member or the service member's spouse must provide to the creditor (no later than 180 days after the service member is terminated or released from active duty):

- written notice of the intention to have an obligation subject to the interest rate limitation under the bill;
- a copy of the military or gubernatorial orders calling the service member to active duty; and
- a copy of any orders extending active-duty service.

If a court finds that the ability of the service member or a service member's spouse to pay interest charges at a rate in excess of the amount allowed under the bill is not materially affected by the service member's assignment to active duty, the court may grant the creditor relief from the interest rate limitation established by the bill.

Current Law:

"Active duty" means full-time duty in the active service of a uniformed service, including full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a service school by law or the relevant Secretary.

"Active service member" means an individual who is (1) an active-duty member of the uniformed services or (2) serving in a reserve component of the uniformed services on active-duty orders.

"Service member" means an individual who is a member of (1) the uniformed services or (2) a reserve component of the uniformed services.

Interest and Usury (Title 12, Subtitle 1 of the Commercial Law Article)

Loans made under the Interest and Usury Subtitle generally cap interest rates at 24%. Any lender who knowingly and willfully violates the permitted interest charges under Subtitle 1 is guilty of a misdemeanor and on conviction is subject to a fine of up to \$500 and/or imprisonment for up to six months.

If a charge or fee considered interest under Subtitle 1 is charged at or before the inception of a loan contract, the effective rate of simple interest permitted to be charged (and required to be disclosed) must be determined in the same manner as if the fee or charge had not been

SB 317/ Page 2

charged, except that the principal of the loan used in determining the rate of interest is the face amount of the loan less the fee or charge.

Additional Comments: The federal [Servicemembers Civil Relief Act](#) (SCRA) includes provisions similar to those of the bill. Under the SCRA, in certain circumstances, interest rates on auto loans, home mortgages, student loans, personal loans, installment loans, title loans, and credit card debt that were taken out *before* the individual entered active duty can be lowered to six percent. This decrease can also apply to loans taken out with a spouse. Although the SCRA is similar, the bill appears to apply the interest rate cap to all balances, regardless of when they were originally taken out.

The Office of Financial Regulation (OFR) within the Maryland Department of Labor notes that bill's application to existing Maryland credit laws is ambiguous. Although the bill states that it applies to all obligations under Title 12 (which encompasses all credit laws), the bill's provisions are placed within Subtitle 1 (interest and usury). This placement creates a conflict, as Subtitle 9 (revolving credit) and Subtitle 10 (closed end credit) explicitly state that Subtitle 1 does not apply. Additionally, OFR advises that the bill's application to loans under Subtitle 3 (Consumer Loan Law) is unclear. Finally, OFR notes that the bill is not enforceable against national banks (or banks chartered in other states) due to federal preemption.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; U.S. Consumer Financial Protection Bureau; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2026
caw/jkb

Analysis by: Eric F. Pierce

Direct Inquiries to:
(410) 946-5510
(301) 970-5510