

# HOUSE BILL 1027

I2

2lr2599  
CF SB 901

---

By: **Delegates Barkley and Vaughn**

Introduced and read first time: February 10, 2012

Assigned to: Economic Matters

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 18, 2012

---

## CHAPTER \_\_\_\_\_

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, under certain circumstances, an agreement under  
7 which the outstanding balance of a loan is reduced by the actual cash value of a  
8 certain motor vehicle or of certain collateral at the time of loss; altering the  
9 definitions of “outstanding balance” and “remaining loan balance” to exclude  
10 any ~~other items as agreed to by the parties and stated in the debt cancellation~~  
11 ~~agreement~~ deferred payments and the refundable portion of any financed taxes  
12 and charges; and generally relating to credit regulation and debt cancellation  
13 agreements.

14 BY repealing and reenacting, without amendments,  
15 Article – Commercial Law  
16 Section 12–601(a) and 12–1001(a)  
17 Annotated Code of Maryland  
18 (2005 Replacement Volume and 2011 Supplement)

19 BY repealing and reenacting, with amendments,  
20 Article – Commercial Law  
21 Section 12–601(h) and (p) and 12–1001(h) and (l)  
22 Annotated Code of Maryland  
23 (2005 Replacement Volume and 2011 Supplement)

---

**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 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 12–601.

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

6 (h) “Debt cancellation agreement” means an agreement between a seller and  
7 a buyer which provides for cancellation of the outstanding balance payable under an  
8 installment sale agreement in the event of theft or total destruction of the motor  
9 vehicle that is the subject of the installment sale agreement [after application of]  
10 **MINUS** the proceeds of any insurance maintained on the motor vehicle **OR, IF THE**  
11 **BUYER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE ACTUAL CASH**  
12 **VALUE OF THE MOTOR VEHICLE AT THE TIME OF LOSS, DETERMINED AS**  
13 **PROVIDED IN THE ~~DEBT CANCELLATION~~ AGREEMENT.**

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

16 (1) Any delinquent **OR DEFERRED** payments;

17 (2) Past due charges;

18 (3) Late payment charges;

19 (4) Unearned interest;

20 (5) Unearned rental payments; [or]

21 **(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR**  
22 **CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH**  
23 **INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND**  
24 **MECHANICAL REPAIR CONTRACTS; OR**

25 ~~(6)~~ **(7)** By agreement of the parties, the amount of any primary  
26 insurance deductible; ~~OR~~

27 ~~(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN~~  
28 ~~THE DEBT CANCELLATION AGREEMENT.~~

29 12–1001.

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

1 (h) "Debt cancellation agreement" means an agreement between a credit  
 2 grantor and a borrower which provides for cancellation of the remaining loan balance  
 3 in the event of theft or total destruction of the collateral for the loan [after application  
 4 of] **MINUS** the proceeds of any insurance maintained on the collateral for the loan **OR,**  
 5 **IF THE BORROWER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE**  
 6 **ACTUAL CASH VALUE OF THE ~~MOTOR VEHICLE~~ COLLATERAL AT THE TIME OF**  
 7 **LOSS, DETERMINED AS PROVIDED IN THE ~~DEBT CANCELLATION~~ AGREEMENT.**

8 (l) "Remaining loan balance", when used in reference to a debt cancellation  
 9 agreement, does not include:

10 (1) Any delinquent **OR DEFERRED** payments;

11 (2) Past due charges;

12 (3) Late payment charges;

13 (4) Unearned interest;

14 (5) Unearned rental payments; [or]

15 **(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR**  
 16 **CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH**  
 17 **INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND**  
 18 **MECHANICAL REPAIR CONTRACTS; OR**

19 ~~(6)~~ **(7)** By agreement of the parties, the amount of any primary  
 20 insurance deductible; ~~OR~~

21 ~~(7)~~ **OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN**  
 22 **THE DEBT CANCELLATION AGREEMENT.**

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 24 October 1, 2012.