

## **Chapter 203**

### **(House Bill 730)**

AN ACT concerning

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

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

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

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

#### **Article – Commercial Law**

12–1003.

(a) A credit grantor may charge and collect interest on a loan at any daily, weekly, monthly, annual, or other periodic percentage rate as the agreement, the note, or other evidence of the loan provides if the effective rate of simple interest is not in excess of 24 percent per year. The rate of interest chargeable on a loan must be expressed in the agreement as a simple interest rate or rates.

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

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

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

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

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

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

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

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

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

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

2. **THE AMOUNT OF THE INSTALLMENT LOAN EXCEEDS:**

A. **\$10,000, IF THE MOTOR VEHICLE IS A MOTORCYCLE; AND**

B. **\$30,000, IF THE MOTOR VEHICLE IS A PASSENGER CAR.**

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

**Approved by the Governor, May 2, 2012.**