

SENATE BILL 258

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2lr1605

By: **Senator Glassman**

Introduced and read first time: January 25, 2012

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

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

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

10 BY repealing and reenacting, with amendments,
11 Article – Commercial Law
12 Section 12–1003
13 Annotated Code of Maryland
14 (2005 Replacement Volume and 2011 Supplement)

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

17 **Article – Commercial Law**

18 12–1003.

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

24 (b) (1) Interest may be calculated by way of simple interest or by any
25 other method as the agreement, note, or other evidence of the loan provides. If the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 interest is precomputed, it may be calculated on the assumption that all scheduled
2 payments will be made when due.

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

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

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

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

21 2. "MOTORCYCLE" HAS THE MEANING STATED IN §
22 11-136 OF THE TRANSPORTATION ARTICLE.

23 3. "PASSENGER CAR" HAS THE MEANING STATED IN
24 § 11-144.1 OF THE TRANSPORTATION ARTICLE.

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

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

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

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

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

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

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