

## Chapter 632

(Senate Bill 898)

AN ACT concerning

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

FOR the purpose of authorizing a credit grantor that makes a certain installment loan secured by a lien on a motor vehicle to a consumer borrower to require the consumer borrower to pay a balloon payment at maturity of the installment loan *if the loan exceeds a certain amount*; 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 2009 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) **(1) ~~¶~~ 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 ~~OR ON A MOTOR VEHICLE FOR WHICH THE INSTALLMENT LOAN AMOUNT EXCEEDS \$30,000~~, 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.

~~(2)~~ **(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) 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) THE INSTALLMENT LOAN IS SECURED BY A LIEN ON A MOTOR VEHICLE.**

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2010.

**Approved by the Governor, May 20, 2010.**