

Maryland Statutes

§ 11-201. Definitions

In general

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

Branch location

(b) “Branch location” means any location other than the principal executive office of a licensee or license applicant at which the licensee conducts, or the license applicant, on licensure, will conduct, activities required to be licensed under this subtitle.

Control person

(c)(1) “Control person” means a person who has the power, directly or indirectly, to direct the management or policies of a licensee or license applicant, whether through ownership of securities, by contract, or otherwise.

(2) “Control person” includes a person who:

(i) Is a general partner, an officer, or a director of a licensee or license applicant, or occupies a similar position or performs a similar function;

(ii) Directly or indirectly has the right to vote 10% or more of a class of voting securities, or has the power to sell or direct the sale of 10% or more of a class of voting securities of a licensee or license applicant; or

(iii) In the case of a partnership, a limited partnership, a limited liability partnership, a limited liability company, or any other business entity:

1. Has the right to receive on liquidation or dissolution of a licensee or license applicant 10% or more of the capital of the licensee or license applicant; or

2. Has contributed 10% or more of the capital of a licensee or license applicant.

License

(d) “License” means a license issued by the Commissioner under this subtitle to make loans under the Maryland Consumer Loan Law.¹

Loan

(e) “Loan” means any loan or advance of money or credit subject to Title 12, Subtitle 3 of the Commercial Law Article, the Maryland Consumer Loan Law--Credit Provisions, regardless of whether the loan or advance of money or credit is or purports to be made under Title 12, Subtitle 3 of the Commercial Law Article.

Maryland Consumer Loan Law

(f) “Maryland Consumer Loan Law” means this subtitle and Title 12, Subtitle 3 of the Commercial Law Article.

Person

(g) “Person” includes an individual, corporation, business trust, statutory trust, estate, trust, partnership, association, two or more persons having a joint or common interest, or any other legal or commercial entity.

Unique identifier

(h) “Unique identifier” means a number or another identifier assigned by NMLS.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1996, c. 326, §§ 2, 3, eff. July 1, 1996; Acts 2010, c. 611, § 2, eff. June 1, 2010; Acts 2017, c. 253, § 1, eff. July 1, 2017; Acts 2018, c. 731, § 1, eff. Oct. 1, 2018; Acts. 2018, c. 732, § 3, eff. Oct. 1, 2018; Acts 2019, c. 8, § 1, eff. March 27, 2019.

§ 11-202. Nature of Maryland Consumer Loan Law and powers of Commissioner

In general

(a) The Maryland Consumer Loan Law¹ does not change any powers conferred by law on any person who is not required or permitted to be licensed under this subtitle.

Commissioner without licensing powers

(b) The Commissioner may not license any bank, trust company, savings bank, credit union, or savings and loan association.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-203. Rules and regulations

The Commissioner may adopt rules and regulations to carry out the provisions of this subtitle.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-203.1. License requirement

In general

(a) Unless a person is licensed by the Commissioner, the person may not:

- (1) Make a loan; or
- (2) In any way use any advantage provided by the Maryland Consumer Loan Law.

Separate licenses required

(b) A separate license is required for the principal executive office of the license applicant or licensee and each branch location.

Duties of licensee

(c) During the time period established by the Commissioner under subsection (d) of this section, each licensee shall:

- (1) Obtain and maintain a valid unique identifier issued by NMLS when an account is created with NMLS;
- (2) Transfer licensing information to NMLS; and
- (3) Pay to the Commissioner a license extension fee calculated in accordance with subsection (d)(5) of this section.

Transfer of licensing information to NMLS

(d)(1) The Commissioner shall establish a time period that is not less than 2 months within which a licensee must transfer licensing information to NMLS.

- (2) The time period that the Commissioner establishes under this subsection shall begin on or after July 1, 2017.
- (3) At least 30 days before the transfer period begins, the Commissioner shall:

(i) Notify all licensees of the transfer period; and

(ii) Provide instructions for the transfer of licensing information to NMLS.

(4) For each licensee that complies with subsection (c) of this section, the term of the licensee's license shall extend to December 31 of the year in which the license otherwise would have expired.

(5) The license extension fee required under subsection (c)(3) of this section is nonrefundable and, based on the annual license fee, shall be prorated to the number of days between the date the license otherwise would have expired and December 31 of the same year.

Application through NMLS

(e) Subject to subsection (c) of this section, an applicant for an initial license or a license renewal shall apply for the initial license or license renewal through NMLS:

(1) On or after July 1, 2017; or

(2) If the Commissioner has not joined NMLS with respect to persons required to be licensed under this subtitle as of July 1, 2017, on or after the date that the Commissioner joins, as specified by the Commissioner by public notice.

Credits

Added by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-203.2. Privilege and confidentiality

Construction with other laws

(a)(1) The requirements under any federal law and Title 4, Subtitles 1 through 5 of the General Provisions Article regarding the privacy or confidentiality of information or material provided to NMLS, and any privilege arising under federal or state law, including the rules of any federal or state court with respect to that information or material, shall continue to apply to that information or material after the information or material has been disclosed to NMLS.

(2) The information and material may be shared with all state and federal regulatory officials having oversight authority over persons required to be licensed under this subtitle, including the Financial Crimes Enforcement Network and the Office of Foreign Assets Control, and any successor to these agencies, without the loss of privilege or the loss of confidentiality protections provided by federal law or Title 4, Subtitles 1 through 5 of the General Provisions Article.

Privileged or confidential information

(b) Information or material that is subject to a privilege or confidentiality under subsection (a) of

this section may not be subject to:

- (1) Disclosure under any federal or state law governing the disclosure to the public of information held by an officer or agency of the federal government or a state that has received the information or material; or
- (2) Subpoena, discovery, or admission into evidence, in any private civil litigation or administrative process, unless, with respect to any privilege held by NMLS, the person to whom the information or material pertains waives, in whole or in part, that privilege.

Construction with General Provisions Article

(c) Any provisions of Title 4, Subtitles 1 through 5 of the General Provisions Article relating to the disclosure of any information or material described in subsection (a) of this section that are inconsistent with subsection (a) of this section shall be superseded by the requirements of this section.

Information relating to publicly adjudicated disciplinary and enforcement actions

(d) This section does not apply to information or material relating to publicly adjudicated disciplinary and enforcement actions against a person required to be licensed under this subtitle that is included in NMLS and designated for access by the public.

Credits

Added by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-203.3. Allocation of fees, revenue, fines, and penalties collected under subtitle

Fees and revenue

(a) All revenue received for the licensing of persons under this subtitle and Subtitle 3 of this title and any other fee or revenue received by the Commissioner under this subtitle shall be:

- (1) Credited to the Nondepository Special Fund established under § 11-610 of this title; and
- (2) Used in accordance with § 11-610(c) of this title.

Fines and penalties

(b) Notwithstanding subsection (a) of this section, the Commissioner shall pay all fines and penalties collected by the Commissioner under this subtitle and Subtitle 3 of this title into the General Fund of the State.

Credits

Added by Acts 2018, c. 479, § 1, eff. June 1, 2018.

§ 11-204. License required to make a loan or transact business

In general

(a) A person may not:

- (1) Receive any application for a loan or allow any note or contract for a loan to be signed at any place of business for which the person does not have a license;
- (2) Conduct any business under the Maryland Consumer Loan Law under a name different from the name that appears on the person's license; or
- (3) Evade the application of this section by any device, subterfuge, or pretense of any kind.

Application of section

(b) This section does not prohibit a licensee from accommodating a borrower, at the borrower's request, by making a loan by mail because of the borrower's sickness or hours of employment or for similar reasons.

Venue for soliciting, accepting application, or closing loans

(c) Notwithstanding subsections (a) and (b) of this section, for a loan that is to be secured by residential real property:

(1) A licensee may solicit and accept an application for a loan:

- (i) By mail;
- (ii) By telephone or other electronic means; or
- (iii) At any location requested by the prospective borrower;

(2) Except as provided in item (3) of this subsection, the loan closing shall be conducted at:

- (i) The lender's licensed location;
- (ii) The office of an attorney representing the licensee, the borrower, the title company, or title insurer in connection with the loan; or
- (iii) The office of the title insurer or title agency performing closing services in connection with the loan; and

(3) A licensee may conduct the loan closing at another location at the written request of the borrower or the borrower's designee to accommodate the borrower because of the borrower's sickness.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1998, c. 760, § 1, eff. Oct. 1, 1998; Acts 1998, c. 761, § 1, eff. Oct. 1, 1998; Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-205. License qualifications

To qualify for a license, an applicant shall satisfy the Commissioner that:

- (1) The applicant has at least \$20,000 in liquid assets available to be used in the business to be covered by the license;
- (2) The business will promote the convenience and advantage of the community in which the place of business will be located; and
- (3) The applicant or, if the applicant is not an individual, the owners, officers, directors, or members have sufficient experience, character, financial responsibility, and general fitness to:
 - (i) Command the confidence of the public; and
 - (ii) Warrant the belief that the business will be operated lawfully, honestly, fairly, and efficiently.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-206. License application

Form and contents of application

(a)(1) To apply for a license, an applicant shall:

(i) Complete, sign, and submit to the Commissioner an application made under oath in the form, and in accordance with the process, that the Commissioner requires; and

(ii) Provide all the information that the Commissioner requests.

(2) The application shall include:

(i) The applicant's name, the applicant's principal executive office address, and, if the applicant is not an individual, the name and residence address of each control person;

(ii) The address of each branch location, if any; and

(iii) Any other pertinent information that the Commissioner requires for an investigation and findings under § 11-207 of this subtitle.

Investigation and license fees

(b) With the application, the applicant shall pay to the Commissioner:

- (1) An investigation fee of \$100; and
- (2) A license fee of \$850.

Surety bonds

(c)(1) With the application, the applicant shall file a surety bond.

(2) The bond shall run to the Commissioner, as obligee, for the benefit of:

- (i) The State; and
- (ii) Any person who has a cause of action against the applicant under the Maryland Consumer Loan Law.¹

(3) The bond shall be:

(i) In an amount equal to twice the amount of the largest loan that may be made under the Maryland Consumer Loan Law;

(ii) Issued by a surety company that:

1. Is authorized to do business in the State; and
2. Holds a certificate of authority issued by the Maryland Insurance Commissioner; and

(iii) Conditioned that the licensee shall:

1. Comply with the Maryland Consumer Loan Law; and
2. Pay to the State or to any person any money that the licensee may owe to the State or to the person under the Maryland Consumer Loan Law.

(4) The liability of the surety:

- (i) Shall be continuous;
- (ii) May not be aggregated or cumulative, whether or not the bond is renewed, continued, replaced, or modified;
- (iii) May not be determined by adding together the penal sum of the bond, or any part of the penal sum of the bond, in existence at any two or more points in time;

(iv) Shall be considered to be one continuous obligation, regardless of increases or decreases in the penal sum of the bond;

(v) May not be affected by:

1. The insolvency or bankruptcy of the licensee;
2. Any misrepresentation, breach of warranty, failure to pay a premium, or any other act or omission of the licensee or an agent of the licensee; or
3. The suspension of the licensee's license;

(vi) May not require an administrative enforcement action by the Commissioner as a prerequisite to liability; and

(vii) Shall continue for 3 years after the later of the date on which:

1. The bond is canceled; or
2. The licensee, for any reason, ceases to be licensed.

(5)(i) A bond may be canceled by the surety or the licensee by giving notice of cancellation to the Commissioner.

(ii) Notice under subparagraph (i) of this paragraph shall:

1. Be in writing; and
2. Be sent by certified mail, return receipt requested.

(iii) A cancellation of a bond under this paragraph is not effective until 90 days after receipt of a notice of cancellation by the Commissioner.

(6) A claim against the bond may be filed with the surety by:

- (i) A claimant; or
- (ii) The Commissioner for the benefit of a claimant or the State.

(7) If the amount of claims against a bond exceeds the amount of the bond, the surety:

- (i) Shall pay the amount of the bond to the Commissioner for pro rata distribution to claimants; and
- (ii) Is relieved of liability under the bond.

(8) If the penal amount of a bond is reduced by payment of a claim or judgment, the licensee shall file a new or additional bond with the Commissioner.

(9) A penalty imposed against a licensee under § 2-115(b) of this article may be collected and paid from the proceeds of a bond required under this subsection.

Separate applications and fees for separate licenses

(d) For the principal executive office and each branch location license for which an applicant applies, the applicant shall:

(1) Submit a separate application; and

(2) Pay a separate investigation fee and license fee.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1997, c. 22, § 1, eff. Oct. 1, 1997; Acts 2017, c. 253, § 1, eff. July 1, 2017; Acts 2017, c. 479, § 1, eff. June 1, 2017.

§ 11-207. Issuance or denial of license

Investigation by Commissioner

(a) When an applicant for a license files the application and bond and pays the fees required by § 11-206 of this subtitle, the Commissioner shall investigate the facts relevant to the application to determine if the applicant meets the requirements of this subtitle.

Deadline for approval or denial of license

(b) Unless the Commissioner and an applicant agree in writing to extend the time, the Commissioner shall approve or deny each application for a license within 60 days after the date on which the complete application is filed, the fees are paid, and the surety bond is filed.

Duty of Commissioner to issue license to qualified applicants

(c) The Commissioner shall issue a license to any applicant who meets the requirements of this subtitle.

Denial of license

(d)(1) If an applicant does not meet the requirements of this subtitle, the Commissioner shall:

(i) Deny the application;

(ii) Notify the applicant immediately of this fact;

(iii) Return the bond filed under § 11-206 of this subtitle;

(iv) Refund the license fee; and

(v) Keep the investigation fee.

(2)(i) Within 10 days after the Commissioner denies an application, the Commissioner shall send a written notice to the applicant stating the reasons for the denial.

(ii) The notice shall be sent by United States mail, e-mail, or any means provided through NMLS to the address listed in the application.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-208. Contents of license

Name, address, license number and unique identifier

(a) The Commissioner shall include on each license:

(1) The name of the licensee;

(2) The address of the location at which the business is to be conducted; and

(3) The license number and unique identifier of the licensee.

License authorizes licensee to do business under license

(b)(1) A license authorizes the licensee to do business under the license, at the licensed location and under the name stated on the license.

(2) Only one location may be maintained under any one license.

Multiple licenses issued to one licensee

(c) Subject to § 11-203.1(b) of this subtitle, the Commissioner may issue more than one license to an applicant who:

(1) Conducts activities for which a license is required at more than one location;

(2) Complies with § 11-206 of this subtitle; and

(3) Otherwise meets the requirements of this subtitle.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-209. Expiration or renewal of license

Initial license term

(a) An initial license term shall:

- (1) Begin on the date the license is issued; and
- (2) Expire on December 31 of the year:
 - (i) In which the license is issued, if the license is issued before November 1; or
 - (ii) Immediately following the year in which the license is issued, if the license is issued on or after November 1.

Renewal application and fee

(b) On or after November 1 of the year in which a license expires, the license may be renewed for an additional 1-year term, if the licensee:

- (1) Otherwise is entitled to be licensed;
- (2) Pays to the Commissioner a renewal fee of \$850; and
- (3) Submits to the Commissioner a renewal application in the form, and in accordance with the process, that the Commissioner requires.

Waiver of requirements

(c) The Commissioner may waive the requirements of § 11-205(1) and (2) of this subtitle for the renewal of a license.

Expiration of licenses on staggered basis

(d) To the extent required or permitted by NMLS, the Commissioner may determine that licenses issued under this subtitle shall expire on a staggered basis.

Transfer of licensing information to NMLS

(e) A licensee may not renew a license unless, before the submission of the license renewal application, the licensee has transferred the licensee's licensing information to NMLS in accordance with § 11-203.1(c) of this subtitle.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1997, c. 22, § 1, eff. Oct. 1, 1997; Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-209.1. Surrender of license

Manner of surrender

(a) A licensee may surrender a license by sending to the Commissioner, in the form and in accordance with the process that the Commissioner requires, a statement that the license is surrendered.

Refund of license fee

(b) If a license is surrendered voluntarily, or is suspended or revoked, the Commissioner may not refund any part of the license fee regardless of the time remaining in the license term.

Effect on civil or criminal liability

(c) The surrender of a license does not affect any civil or criminal liability of the licensee for acts committed before the license was surrendered.

Credits

Added by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-210. Transferability and display of license

License not transferable

(a) A license is not transferable.

Display of license

(b) Each licensee shall display the license conspicuously at the licensee's licensed location.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-211. Change of location for which license issued

Notice and consent of Commissioner

(a) A licensee may not change the location for which a license is issued unless the licensee:

- (1) Provides to the Commissioner, in the form and in accordance with the process that the Commissioner requires, notice of the proposed change; and
- (2) Receives the written consent of the Commissioner by United States mail, e-mail, or any means provided through NMLS.

Amended license

- (b) If the Commissioner consents to a proposed change of location, the Commissioner shall send the licensee an amended license.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1980, c. 499; Acts 2017, c. 253, § 1, eff. July 1, 2017.

§ 11-213. Books and records

Each licensee shall keep:

- (1) The books and records that the Commissioner considers necessary to determine compliance with the Maryland Consumer Loan Law;¹ and
- (2) For at least 2 years after the licensee makes the final entry on any loan in the licensee's business, the records of that entry, including cards used in a card system.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-214. Investigations by Commissioner

In general

- (a) To discover any violations of the Maryland Consumer Loan Law, the Commissioner, at any time and as often as the Commissioner considers appropriate, may investigate the loans made by and the business of:

- (1) Any licensee; or
- (2) Any other person who makes a loan or on whose behalf a loan is made, whether or not that person:
 - (i) Acts or claims to act as a principal, agent, or broker; or
 - (ii) Acts or claims to act under the Maryland Consumer Loan Law.

Access to books, papers, and testimony

(b) For the purposes of this section, the Commissioner:

- (1) Shall be given access to any books, papers, records, safes, or vaults of the person under investigation; and
- (2) May examine under oath any person whose testimony the Commissioner requires.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-215. Cease and desist orders

In general

(a) Subject to the hearing provisions of § 11-217 of this subtitle, the Commissioner may order a licensee or any other person to cease and desist from a course of conduct if the course of conduct results in an evasion or violation of the Maryland Consumer Loan Law or of any rule or regulation adopted under it.

Grounds for cease and desist order

(b)(1) Subject to the provisions of paragraph (2) of this subsection, when the Commissioner determines that a licensee or any other person is about to engage in an act or practice constituting an evasion or violation of the Maryland Consumer Loan Law or of any rule or regulation adopted under the Maryland Consumer Loan Law, and that immediate action against the licensee or person is in the public interest, the Commissioner may in the Commissioner's discretion issue, without a prior hearing, a summary order directing the licensee or person to cease and desist from engaging in the act or practice.

(2) A summary cease and desist order issued under paragraph (1) of this subsection shall give the licensee or person:

- (i) Subject to the hearing provisions of § 11-217 of this subtitle, notice of the opportunity for a hearing to determine whether the summary cease and desist order should be vacated, modified, or entered as final; and
- (ii) Notice that the summary cease and desist order will be entered as final if the licensee or person does not request a hearing within 15 days of receipt of the summary cease and desist order.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 2000, c. 633, § 1, eff. June 1, 2000.

§ 11-216. Suspension or revocation of license

In general

(a) Subject to the hearing provisions of § 11-217 of this subtitle, the Commissioner may suspend or revoke the license of any licensee who:

- (1) Violates any provision of the Maryland Consumer Loan Law; or
- (2) Knowingly and repeatedly violates any provision of the Maryland Consumer Debt Collection Act.¹

Revocation of license

(b)(1) The Commissioner shall revoke the license of any licensee who is convicted twice of violating § 12-316 of the Commercial Law Article if the second violation occurs after the first conviction.

- (2) The Commissioner may not issue another license to any person whose license is revoked under this subsection.

Findings and statement of facts

(c) If the Commissioner suspends or revokes a license, the Commissioner shall file in the Commissioner's office:

- (1) Findings; and
- (2) A statement of all the facts on which the findings are based.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-217. Hearings

In general

(a) Before the Commissioner takes any action under § 11-215 or § 11-216(a) of this subtitle, the Commissioner shall give the licensee an opportunity for a hearing before the Commissioner.

Notice of hearing

(b) Notice of the hearing shall be given and the hearing shall be held in accordance with the Administrative Procedure Act.¹

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1999, c. 34, § 1, eff. April 13, 1999.

§ 11-218. Appeals

In general

(a) Any applicant for a license or any licensee who is aggrieved by a decision of the Commissioner to deny an application for or suspend or revoke a license may appeal:

- (1) To the circuit court for the county in which the aggrieved person resides or did business; or
- (2) To the Circuit Court for Baltimore City.

Appeal heard and decided on the record of proceedings

(b) An appeal shall be heard and decided on the record of the proceedings before the Commissioner. However, if the court finds that additional evidence is necessary, the court may permit that evidence to be introduced.

Court to reverse, affirm, or modify decision

(c) If a decision of the Commissioner is appealed, the court may reverse, affirm, or modify the decision.

Appeals to Court of Special Appeals

(d) The aggrieved applicant or licensee or the Commissioner may appeal the decision of the court to the Court of Special Appeals.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 1982, c. 820, § 3.

§ 11-219. Purchase of account by unlicensed person prohibited

In general

(a) A licensee may not sell a loan account to any person who is not licensed under this subtitle.

Loan account acquired by non-licensed person not enforceable

(b) A loan account that is acquired by a person who is not licensed under this subtitle is not enforceable.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-220. Duty to report alleged criminal violations

The Commissioner shall report to the appropriate State's Attorney any alleged criminal violation of the Maryland Consumer Loan Law.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-221. Construction of subtitle

This subtitle shall be interpreted and construed to effectuate its general remedial purpose.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 11-222. Fines or imprisonment for violations

Any person who violates any provision of § 11-203.1(a) of this subtitle is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$5,000 or imprisonment not exceeding 3 years or both.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980. Amended by Acts 2018, c. 12, § 1, eff. April 5, 2018.

§ 11-223. Short titles

Subtitle

(a) This subtitle may be cited as the Maryland Consumer Loan Law -- Licensing Provisions.

Subtitle and Maryland Consumer Loan Law -- Credit Provisions

(b) This subtitle and the Maryland Consumer Loan Law -- Credit Provisions may be cited jointly as the Maryland Consumer Loan Law.

Credits

Added by Acts 1980, c. 33, § 2, eff. July 1, 1980.

§ 12-301. Definitions

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

(b) “Commissioner” means the Commissioner of Financial Regulation.

(c) “Lender” means a licensee or a person who makes a loan subject to this subtitle.

(d) “Licensee” means a person who is required to be licensed under Title 11, Subtitle 2 of the Financial Institutions Article, the Maryland Consumer Loan Law--Licensing Provisions, regardless of whether the person is actually licensed.

(e)(1) “Loan” means any loan or advance of money or credit subject to this subtitle, regardless of whether the loan or advance of money or credit is or purports to be made under this subtitle.

(2) “Loan” does not include an installment sale agreement as defined in § 12-601 of this title.

(f) “Person” includes an individual, corporation, business trust, statutory trust, estate, trust, partnership, association, two or more persons having a joint or common interest, or any other legal or commercial entity.

(g) “Wages” means all remuneration paid to any employee for the employee’s employment, including the cash value of all remuneration paid in any medium other than cash.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1980, c. 33, § 5; Acts 1996, c. 326, § 2, eff. July 1, 1996; Acts 2010, c. 611, § 2, eff. June 1, 2010; Acts 2018, c. 732, § 2, eff. Jan. 1, 2019; Acts 2018, c. 790, § 1, eff. Jan. 1, 2019.

§ 12-302. Licensing requirement

A person may not engage in the business of making loans under this subtitle unless the person is licensed under or is exempt from the licensing requirements of Title 11, Subtitle 2 of the Financial Institutions Article, the Maryland Consumer Loan Law -- Licensing Provisions.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1980, c. 33, § 5.

§ 12-303. Application

(a)(1) This subtitle applies to a loan of \$25,000 or less made for personal, family, or household purposes.

(2) Except as provided in paragraph (3) of this subsection, this subtitle applies regardless of:

(i) Whether the transaction is or purports to be made under this subtitle;

(ii) Whether the transaction is or purports to be an installment loan;

(iii) The duration of the repayment period;

(iv) Whether the transaction is or purports to be nonrecourse or contingent; and

(v) Whether the transaction purports to be the purchase of wages, pensions, governmental benefits, or other similar future payment streams.

(3) This subtitle does not apply to:

(i) A plan or loan for which a written election has been made under Subtitle 1, Subtitle 4, Subtitle 9, or Subtitle 10 of this title;

(ii) A loan made by an individual provided the individual:

1. Does not make more than three loans in a calendar year; and

2. Does not engage in the business of making loans; or

(iii) A loan between an employer and an employee.

(b) A lender may not make a loan subject to this subtitle unless the loan is in an original amount or value which does not exceed \$25,000.

(c)(1) The purpose of this subsection is to prevent evasion of the provisions of this subtitle by means of a purchase or assignment of wages.

(2) For the purposes of this subtitle:

(i) The payment of \$25,000 or less in money, credit, goods, or things in action as consideration for any sale, assignment, or order for the payment of wages, whether earned or to be earned, is considered a loan of money secured by the sale, assignment, or order for payment of wages; and

(ii) The amount by which the wages exceed the consideration paid for them is considered interest or charges on the loan from the date of the payment to the date the wages are payable.

(3) The transaction described in this subsection is governed by and subject to the provisions of this subtitle.

(d) This subtitle applies but is not limited to a lender who:

(1) As security for a loan, use, or forbearance of money, goods, or things in action or for any loan, use, or sale of credit, whether or not the transaction is or purports to be made under this subtitle, makes a pretended purchase of property from any person and permits the owner or pledgor to retain possession of the property; or

(2) By any device or pretense of charging for his services or otherwise, seeks to obtain any interest, charges, discount, or like consideration.

(e)(1) A lender who lends or contracts to lend an amount which exceeds \$25,000 may not directly or indirectly contract for, charge, or receive any interest, fee, or other charge in excess of that which the lender would be permitted to charge if the lender were not authorized to make loans under this subtitle.

(2) The provisions of this subsection apply to any debt in excess of \$25,000 which is directly or contingently owed or contracted to be so owed by any person jointly or severally:

(i) Whether as a borrower, an endorser, guarantor, or surety for a borrower, or otherwise; and

(ii) Whether the debt is part of a single transaction or the aggregate of more than one transaction.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1984, c. 255; Acts 2013, c. 43, § 5; Acts 2018, c. 732, § 2, eff. Jan. 1, 2019; Acts 2018, c. 790, § 1, eff. Jan. 1, 2019.

§ 12-304. Standards for advertising

(a) A lender may not directly or indirectly print, publish, distribute, or broadcast any false, misleading, or deceptive statement regarding the rates, terms, or conditions of a loan.

(b)(1) If charges or rates of charges are advertised by a licensee, the Commissioner may require him to state them fully and clearly in any manner the Commissioner considers necessary to prevent misunderstanding by a prospective borrower.

(2) Subject to any condition which the Commissioner may impose to prevent a false impression regarding the scope or degree of protection provided by this subtitle, the Commissioner may permit or require a licensee to refer in his advertising to the fact that his business is under State supervision.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975.

§ 12-305. Discrimination

(a) In granting or denying an application for a loan, a licensee may not discriminate against any loan applicant only on the basis of race, color, creed, national origin, sex, marital status, or age.

(b)(1) A licensee is not in violation of this section if the licensee is in compliance with the federal Equal Credit Opportunity Act¹ and the regulations adopted under that act.

(2) Denying an application for a loan by an applicant who is a minor is not discrimination on the basis of age.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1976, c. 166, § 1; Acts 1977, c. 693, § 2.

§ 12-306. Interest

(a)(1) Except as provided in subsections (b) and (c) of this section, a lender may charge interest on a loan at a rate not more than the rates specified in this subsection.

(2) For any loan with an original principal balance of \$2,000 or less, the maximum interest rate is:

(i) 2.75 percent interest per month on that part of the unpaid principal balance not more than \$500;

(ii) 2 percent interest per month on that part of the unpaid principal balance that is more than \$500 but not more than \$700; and

(iii) 1.25 percent interest per month on that part of the unpaid principal balance that is more than \$700.

(3) For any loan with an original principal balance of more than \$2,000 and not more than \$3,500, the maximum interest rate is 1.75 percent interest per month on the unpaid principal balance of the loan.

(4) For any loan with an original principal balance of more than \$3,500 and not more than \$5,000, the maximum interest rate is 1.5 percent interest per month on the unpaid principal balance of the loan.

(5) For any loan with an original principal balance of more than \$5,000, the maximum interest rate is 1.35 percent interest per month on the unpaid principal balance of the loan.

(6) Notwithstanding the provisions of paragraphs (2) through (5) of this subsection on any loan made on or after July 1, 1982, a lender under this subtitle may charge interest not exceeding the following rates:

(i) For any loan with an original principal balance of \$2,000 or less, 2.75 percent interest per month on that part of the unpaid principal balance not more than \$1,000 and 2 percent interest per month on that part of the unpaid principal balance that is more than \$1,000;

(ii) For any loan with an original principal balance of more than \$2,000, the maximum rate of interest is 2 percent per month on the unpaid principal balance of the loan.

(7) A loan may be made pursuant to paragraph (6) of this subsection provided that:

(i) If the loan is a renewal or refinancing of a loan made prior to July 1, 1982, the lender complies with § 12-116 of this title;

(ii) If the loan includes a provision for a rate of interest which may be adjusted by the lender during the term of the loan, the lender complies with § 12-118 of this title;

(iii) Upon the borrower's default, if the loan is secured by personal property, the lender complies with § 12-115 of this title concerning repossession and redemption of the goods securing the loan; and

(iv) The loan does not include a balloon payment, unless payment in full is due on demand or in 1 year or less.

(b) If any principal balance remains unpaid 6 months after the loan matures as originally scheduled or deferred, the lender may not contract for, charge, or receive interest at a rate exceeding 6 percent simple interest per annum on the actual unpaid principal balances from time to time.

(c) If the lender refinances a loan in the ordinary course of business, he may not add to the principal balance or deduct from the proceeds of the new loan more than 60 days' interest then due.

(d)(1) The lender shall compute interest on the actual unpaid principal balances outstanding from time to time, and he may not contract for, charge, or receive interest in advance or compounded interest.

(2) For each day on which an unpaid principal balance is outstanding, the lender may charge on that unpaid balance $\frac{1}{30}$ th of the interest permitted under this subtitle to be charged for 1 month.

(3) For purposes of this section, each of the 12 calendar months in the year shall be treated as having 30 days, as follows:

(i) The last day of each month which has 31 days shall be omitted; and

(ii) The necessary number of days shall be added at the end of February to make 30 days.

(e) The maximum term of any loan made under this subtitle may not exceed:

(1) For any loan with an original principal balance of \$700 or less, 30 months and 15 days;

(2) For any loan with an original principal balance of more than \$700 but less than \$2,000, 36 months and 15 days; and

(3) For any loan with an original principal balance of \$2,000 or more, 72 months and 15 days.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1980, c. 695; Acts 1982, c. 753; Acts 1983, c. 143.

§ 12-307. Certain fees

(a) At the time a loan is made, a lender may collect from the borrower:

(1) As to any item of the total property that secures a loan:

(i) The fees paid to a public official or governmental agency for recording or satisfying a mortgage, encumbrance, or lien on any property securing the loan; or

(ii) An equal or lesser amount for nonfiling insurance premium on any property, or portion of the property, that is not recorded if:

1. The Insurance Commissioner approves the rates; and

2. A commission is not paid on the policy; and

(2) The title insurance premiums or reasonable attorney's fees paid for searching and insuring the title to any real property securing the loan.

(b) A lender may collect from the borrower a fee not exceeding \$15 if payment is made with a check that is dishonored on the second presentment.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1979, c. 159; Acts 1979, c. 357; Acts 1980, c. 735; Acts 1984, c. 217; Acts 1991, c. 432.

§ 12-307.1. Costs and attorney's fees

(a) On any loan with an original principal balance of more than \$2,000, if a borrower defaults under the terms of a loan and the lender refers the borrower's account for collection to an attorney who is not a salaried employee of the lender, and if the note, contract, or other evidence of the loan permits, the lender may charge and collect from the borrower court costs and attorney's fees not exceeding 15 percent of the amount due and payable under the terms of the loan.

(b) On any loan with an original principal balance of \$2,000 or less, if a borrower defaults under the terms of a loan and the lender refers the borrower's account for collection to an attorney who is not a salaried employee of the lender, and if the note, contract, or other evidence of the loan permits, the lender may recover from the borrower court costs and attorney's fees not exceeding 15 percent of the amount due and payable under the terms of the loan, to be set by the court in the event of the filing of suit.

Credits

Added by Acts 1985, c. 644, § 1, eff. July 1, 1985.

§ 12-308. Lender's duties

(a)(1) At the time a loan is made, the lender shall deliver to the borrower a statement in the English language which:

- (i) Quotes §§ 12-306, 12-307, and 12-312 of this subtitle, in their entireties; and
- (ii) Complies with § 12-106(b) of this title.

(2) If there are two or more borrowers, the lender:

- (i) May deliver the statement to any one of the borrowers; and
- (ii) At the request of any other borrower, shall deliver a copy of the statement to that borrower within 10 days after the request.

(b)(1) Except as provided in paragraphs (2), (3), and (4) of this subsection, at the time a lender receives a payment on account of a loan, the lender shall deliver to the person making the payment a receipt which specifies:

- (i) The amount applied to principal;
- (ii) The amount applied to interest and other charges; and
- (iii) The unpaid principal balance of the loan.

(2) The lender may deliver an unitemized receipt at the time of payment if he delivers the required itemized receipt within 10 days after the payment.

(3) The lender is not required to issue a receipt if, before the due date of each payment, he regularly delivers to the borrower a billing statement which specifies:

- (i) The previous unpaid principal balance of the loan;
- (ii) The amount and date of each payment made during the billing period;

- (iii) The amount of each of these payments applied to interest;
 - (iv) The amount of each of these payments applied to principal;
 - (v) The current unpaid principal balance; and
 - (vi) The amount and due date of the next maturing installment.
- (4) The lender is not required to issue a receipt if the lender issues to the borrower a payment book or coupon book and payment is made by check or money order
- (c)(1) A lender shall permit a borrower to prepay a loan in full or in part at any time, without penalty.
- (2) Each partial prepayment shall be applied:
- (i) First, to any interest accrued on the unpaid principal balance to the date of the payment; and
 - (ii) Then, to the unpaid principal balance.
- (d) After full repayment of a loan, the lender shall:
- (1)(i) Indelibly mark with the word “paid” or “canceled” and return each note, contract, or other evidence of obligation of the borrower in the possession of the lender; or
 - (ii) Furnish the borrower with a written statement that identifies the loan transaction and states that the loan has been paid in full;
- (2) Release any mortgage, security agreement, or other form of security instrument which no longer secures any indebtedness to the lender; and
- (3) Restore any pledge or certificate of title.
- (e) At the request of the borrower, the lender shall furnish the borrower with a written statement of the account. However, the lender is not required to do so more than once in any 30-day period.
- (f) A lender making or offering to make a loan secured by residential real property shall comply with § 12-125 of this title, as applicable.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1979, c. 263; Acts 1983, c. 218; Acts 1989, c. 476, § 1; Acts 1994, c. 243, § 1, eff. July 1, 1994; Acts 2018, c. 12, § 6.

§ 12-309. Certain loans and defenses

(a) If a lender makes a loan for the purpose of enabling a borrower to buy goods or services used primarily for personal, family, or household purposes, then, in addition to any other claim or defense which the borrower has under this subtitle, the lender is subject to the claims and defenses of the borrower against the seller arising from the sale of the goods or services, if:

- (1) The lender knows that the seller arranged for the extension of credit by the lender; or
- (2) The lender otherwise knowingly participated in the sale.

(b) In determining that a lender knowingly participated in a sale transaction, the following factors, among others, may be considered:

- (1) The lender was a person related to the seller, unless the relationship was remote or was not a factor in the sale or loan;
- (2) The proceeds of the loan were made payable in whole or in part to the seller;
- (3) The lender took a purchase-money security interest in the goods which were the subject of the sale;
- (4) The seller guaranteed the loan or otherwise assumed the risk of loss by the lender on the loan;
- (5) The lender directly supplied to the seller a form used by the borrower to evidence or secure the loan; or
- (6) The loan was conditioned on purchase by the borrower of the goods or services from the particular seller, but the payment by the lender of any proceeds of the loan to the seller does not establish in itself that the loan was so conditioned.

(c)(1) The liability of a lender under this section may not exceed the amount owed to the lender with respect to the sale at the time the lender has notice of a claim or defense of the buyer against the seller.

(2) If two or more loans are consolidated, the maximum amount owed to the lender under paragraph (1) of this subsection is determined as follows:

- (i) If the consolidated loans arose from sales made on the same day, the payments received after the consolidation are considered to be applied first to the smallest loan; and
- (ii) In any other case, the payments received after the consolidation are considered to be applied first to payment of the loan first made.

(d) The lender is subrogated to each right and remedy which the borrower has against the seller.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975.

§ 12-310. Collateral sale, purchase or agreement

(a) For purposes of this subtitle, any profit or advantage which a person contracts for, collects, receives, or obtains by a collateral sale, purchase, or agreement in connection with negotiating, arranging, or making a loan is considered a charge for the loan.

(b) This section does not apply to any commission, dividend, retrospective rating credit, or other consideration received by a licensee or a licensed insurance producer who is an officer, director, agent, employee, or affiliate of a licensee on insurance sold under this subtitle in accordance with the applicable provisions of the Insurance Article.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1979, c. 464, § 1; Acts 1997, c. 35, § 9; Acts 2001, c. 731, § 1, eff. July 2, 2001.

§ 12-311. Security not permitted; ability to repay

(a)(1) In this section the following words have the meanings indicated.

(2) “Fully indexed rate” means the index rate, as defined in the mortgage loan documents, prevailing at the time the mortgage loan is approved by the lender, plus the margin that will apply after the expiration of an introductory interest rate.

(3)(i) “Mortgage loan” has the meaning stated in § 11-501 of the Financial Institutions Article.

(ii) “Mortgage loan” does not include a reverse mortgage loan.

(b) A lender may not take as security for a loan any:

(1) Confession of judgment or power of attorney to him or to a third person to confess judgment or appear for the borrower in a judicial proceeding;

(2) Assignment or order for payment of wages;

(3) Instrument in which blanks are left to be filled after execution; or

(4) Note, promise to pay, or security instrument which does not state:

(i) The principal amount of the loan;

- (ii) A schedule of payments or a description of the schedule; and
- (iii) The agreed amount and rate of interest, charges, and fees.

(c)(1) A lender may not take any security interest in:

- (i) Real property for any loan under \$4,000 in value or amount; or
- (ii) Personal property for any loan under \$1,400 in value or amount.

(2) Any lien taken in violation of this subsection is void.

(3) This subsection does not apply to or affect a lien on an interest in real property which results from a judgment obtained by the lender based on a loan otherwise secured or unsecured.

(d) A lender may not make a mortgage loan without giving due regard to the borrower's ability to repay the mortgage loan in accordance with its terms, including the fully indexed rate of the mortgage loan, if applicable, and property taxes and homeowner's insurance whether or not an escrow account is established for the collection and payment of these expenses.

(e)(1) Due regard to a borrower's ability to repay a mortgage loan must include:

- (i) Consideration of the borrower's debt to income ratio, including existing debts and other obligations; and
- (ii) Verification of the borrower's gross monthly income and assets by review of third-party written documentation reasonably believed by the lender to be accurate and complete.

(2) Acceptable third-party written documentation includes:

- (i) The borrower's Internal Revenue Service form W-2;
- (ii) A copy of the borrower's income tax return;
- (iii) Payroll receipts;
- (iv) The records of a financial institution; or
- (v) Other third-party documents that provide reasonably reliable evidence of the borrower's income or assets.

(3) This subsection does not apply to a mortgage loan:

- (i) Approved for government guaranty by the Federal Housing Administration, the Veterans Administration, the United States Department of Agriculture, the Maryland Department of

Housing and Community Development, or the Community Development Administration; or

(ii) That refinances an existing mortgage loan if the refinance mortgage loan is:

1. Offered under the federal Homeowner Affordability and Stability Plan; and
2. Made available by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 2002, c. 532, § 1, eff. Oct. 1, 2002; Acts 2008, c. 7, § 2, eff. June 1, 2008; Acts 2008, c. 8, § 2, eff. June 1, 2008; Acts 2009, c. 114, § 1, eff. April 14, 2009; Acts 2009, c. 115, § 1, eff. April 14, 2009; Acts 2010, c. 736, § 1, eff. Jan. 1, 2011; Acts 2018, c. 732, § 2, eff. Jan. 1, 2019; Acts 2018, c. 790, § 1, eff. Jan. 1, 2019.

§ 12-312. Insurance

(a)(1) In this section the following words have the meanings indicated.

(2) “Covered loan” means a mortgage loan made under this subtitle that meets the criteria for a loan subject to the federal Home Ownership Equity Protection Act set forth in 15 U.S.C. § 1602(bb), as modified from time to time by Regulation Z, 12 C.F.R. Part 1026, except that the comparison percentages for the mortgage loan shall be one percentage point less than those specified in 15 U.S.C. § 1602(bb), as modified from time to time by Regulation Z, 12 C.F.R. Part 1026.

(3) “Credit health insurance” has the meaning stated in § 13-101 of the Insurance Article.

(4) “Credit involuntary unemployment benefit insurance” has the meaning stated in § 13-101 of the Insurance Article.

(5)(i) “Credit life insurance” means insurance on the life of a borrower that provides indemnity for repayment of a specific loan or credit transaction on the death of the borrower.

(ii) “Credit life insurance” does not include life insurance payable to a beneficiary designated by the borrower other than the obligee of a specific loan or credit transaction.

(6) “Mortgage loan” has the meaning stated in § 11-501 of the Financial Institutions Article.

(7) “Premium” has the meaning stated in § 1-101 of the Insurance Article.

(8) “Single premium coverage” means insurance for which the total premium is payable in one lump sum at or before the time coverage commences.

(b) Subject to the provisions of this section, a lender may collect from the borrower, at the option of the borrower, the premiums paid for:

- (1) Insurance covering any real or personal property pledged as security for the loan;
- (2) Credit health insurance covering any one or more borrowers, if the insurance does not provide for benefits exceeding the actual period of disability;
- (3) Credit life insurance:
 - (i) Covering any one borrower for any loan under \$700 in value or amount; or
 - (ii) Covering any one or more borrowers for any loan of \$700 or more in value or amount; and
- (4) Credit involuntary unemployment benefit insurance covering any one borrower, if the insurance:
 - (i) Does not provide for benefits exceeding the actual period of unemployment; and
 - (ii) Is not contingent upon the purchase of any other type of insurance permitted under this subtitle.

(c)(1) A lender may not require that the insurance be purchased through a particular insurance producer or insurance company.

- (2) The lender may:
 - (i) Assist an applicant or act with the applicant in forwarding an application to an insurance producer; and
 - (ii) Receive and transmit premiums or other identifiable charges for the insurance.

(3) Subject to subsection (e) of this section, at the option of the borrower, a lender may be coinsured or protected to the extent of his interest by a mortgagee clause.

(d)(1)(i) Subject to subsection (e) of this section, the amount of property insurance may not exceed either the reasonable value of the property insured or the originally scheduled total of payments under the loan contract.

(ii) The terms and conditions of the property insurance policy shall be filed with and approved by the Insurance Commissioner.

(iii) Property insurance may be provided by the lender if the borrower, at the time the loan is made, fails to furnish a loss payable endorsement for the protection of the lender in an amount sufficient to cover the amount of the loan or the value of the property securing the

loan, whichever is less.

(iv) If, however, within 30 days of the inception date of the loan, the borrower does provide a loss payable endorsement for the protection of the lender, and no claim has been filed under the coverage purchased, the lender shall cancel the property insurance on the loan and shall refund the entire original property insurance premium to the borrower.

(v) A lender providing property insurance under this section shall give the borrower, at the time the loan is made, a written notice of the borrower's right to provide a loss payable endorsement for the protection of the lender and the borrower's right to a refund of the entire property insurance premium.

(2) Credit health insurance shall provide for:

(i) Benefits not exceeding the then scheduled unpaid total of payments of the loan;

(ii) A waiting period of at least 14 days; and

(iii) Periodic benefits, the amount of each of which may not exceed the originally scheduled total of payments under the loan contract, divided by the number of installments.

(3) The amount of credit life insurance in force may not exceed the unpaid principal but shall include all accrued interest under the loan contract.

(4) Credit involuntary unemployment benefit insurance shall provide that, in the event of involuntary loss of employment, the aggregate amount of periodic benefits payable in the event of involuntary loss of employment, as defined in the policy, may not exceed the then scheduled unpaid total of payments of the loan.

(5)(i) Except as provided in this paragraph, a person making a covered loan may not finance as a part of the covered loan transaction single premium coverage for:

1. Credit health insurance;

2. Credit involuntary unemployment benefit insurance; or

3. Credit life insurance.

(ii) Nothing in this paragraph shall prohibit the financing of any insurance coverage in connection with a mobile home or its premises, as those terms are defined in § 8A-101 of the Real Property Article.

(e)(1) In this subsection, "property insurance coverage" means property insurance against losses caused by perils that commonly are covered in insurance policies described with terms similar to "standard fire" or "standard fire with extended coverage".

(2)(i) A lender may not require a borrower, as a condition to receiving or maintaining a loan secured by a first mortgage or first deed of trust, to provide or purchase property insurance coverage against risks to any improvements on any real property in an amount exceeding the replacement value of improvements on the real property.

(ii) In determining the replacement value of the improvements on any real property, the lender may:

1. Accept the value placed on the improvements by the insurer; or
2. Use the value placed on the improvements that is determined by the lender's appraisal of the real property.

(3) A violation of this subsection or of subsection (c)(1) of this section shall entitle the borrower to seek:

(i) An injunction to prohibit the lender who has engaged or is engaging in the violation from continuing or engaging in the violation;

(ii) Reasonable attorney's fees; and

(iii) Damages directly resulting from the violation.

(4) A violation of this subsection or of subsection (c)(1) of this section does not affect the validity of the first mortgage or first deed of trust securing the loan.

(f) Under this subtitle, insurance may be obtained only:

(1) From an insurance company qualified to do business in the State; and

(2) At rates not exceeding those approved by the Insurance Administration.

(g) Within 25 days after a lender has charged for any insurance in connection with a loan, he shall deliver a copy of the appropriate policy or certificate to the borrower.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1978, c. 768, 931; Acts 1979, c. 464, § 1; Acts 1980, c. 547; Acts 1981, c. 610; Acts 1982, c. 17, § 5; Acts 1988, c. 693; Acts 1995, c. 120, § 19, eff. July 1, 1995; Acts 1997, c. 70, § 4, eff. Oct. 1, 1997; Acts 1998, c. 665, § 1, eff. Oct. 1, 1998; Acts 2001, c. 731, § 1, eff. July 2, 2001; Acts 2002, c. 532, § 1, eff. Oct. 1, 2002; Acts 2003, c. 21, § 1, eff. April 8, 2003; Acts 2014, c. 45, § 1, eff. April 8, 2014.

§ 12-314. Loans for less than a certain amount

(a) A person may not lend \$25,000 or less if :

- (1) The person directly or indirectly contracts for, charges, or receives a greater rate of interest, charge, discount, or other consideration than that authorized by the laws of this State;
- (2) The transaction violates the federal Military Lending Act; or
- (3) The person is not licensed under or exempt from the licensing requirements under the Maryland Consumer Loan Law--Licensing Provisions.

(b)(1)(i) A loan made in the amount of \$25,000 or less, regardless of whether the loan is or purports to be made under this subtitle, is void and unenforceable if :

1. Except as provided in subparagraph (ii) of this paragraph, a person contracts for a loan that has a rate of interest, charge, discount, or other consideration greater than that authorized under State law;
2. The loan violates the federal Military Lending Act; or
3. A person who is not licensed under or exempt from the licensing requirements under Title 11, Subtitle 2 of the Financial Institutions Article made the loan.

(ii) A loan is not void and unenforceable if:

1. A clerical error or mistake resulted in the rate of interest, charge, discount, or other consideration being greater than the amount authorized under State law; and
2. A person corrects the error or mistake before the first payment is due under the loan.

(2) A person may not receive or retain any principal, interest, fees, or other compensation with respect to any loan that is void and unenforceable under this subsection.

(3) This subsection does not apply to a person who is exempt from licensing under this subtitle.

(c)(1) This section does not apply to a loan transaction validly made in another state in compliance with a similar loan law of that state.

(2) A lender may not collect an amount that is more than the total amount that would be permitted if this subtitle were applicable.

(3) This section applies to all loans made by a lender domiciled in another state to a borrower who is a resident of this State if the application for the loan originated in this State.

(d) With respect to a loan that is void and unenforceable under this section, a person may not:

- (1) Collect or attempt to collect, directly or indirectly, any amount from the borrower;
- (2) Enforce or attempt to enforce the contract against any property securing the loan; or
- (3) Sell, assign, or otherwise transfer the loan to another person.

Credits

Added by Acts 1977, c. 693, § 3. Amended by Acts 1980, c. 33, § 5; Acts 1989, c. 725; Acts 2018, c. 732, § 2, eff. Jan. 1, 2019; Acts 2018, c. 790, § 1, eff. Jan. 1, 2019.

§ 12-315. Construction

This subtitle shall be interpreted and construed to effectuate its general remedial purpose.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2.

§ 12-316. Knowing violations

Any licensee or his officer or employee who knowingly violates any provision of §§ 12-303 through 12-306, § 12-308, § 12-311, or § 12-314 of this subtitle is guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$500 or imprisonment not exceeding 6 months or both.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2; Acts 1999, c. 34, § 8, eff. April 13, 1999; Acts 2018, c. 12, § 6.

§ 12-316.1. Defenses, exceptions and refunds

(a) A licensee or a person exempt from licensing under this subtitle is not subject to a penalty involving the forfeiture of interest or principal for a violation that arises because the licensee or person exempt from licensing in good faith:

- (1) Performed or omitted to perform an act in conformity with or in reliance upon:
 - (i) A written opinion of the Attorney General of Maryland or a regulation adopted by the Commissioner;
 - (ii) A written opinion by the Commissioner given on request of the licensee or person exempt from licensing; or
 - (iii) An interpretation by the Commissioner in a written notice or examination report; or

(2) Used a form or procedure that has been approved in writing by the Commissioner and the Attorney General.

(b) The provisions of subsection (a) of this section do not apply to an act or omission to act that occurs after:

(1) The opinion, regulation, or interpretation relied on is amended, repealed, or determined to be invalid for any reason by any judicial or other authority; or

(2) Approval for a form or procedure is amended, rescinded, or determined to be invalid for any reason by any judicial or other authority.

(c) This section may not be construed to:

(1) Limit the imposition of any civil or criminal penalty for a knowing or willful violation of this subtitle; or

(2) Limit the power of the Commissioner or the courts to order a refund to a borrower of moneys collected in violation of this subtitle.

Credits

Added by Acts 1993, c. 319, § 1, eff. Oct. 1, 1993.

§ 12-317. Short title

(a) This subtitle may be cited as the Maryland Consumer Loan Law -- Credit Provisions.

(b) This subtitle and the Maryland Consumer Loan Law -- Licensing Provisions may be cited jointly as the Maryland Consumer Loan Law.

Credits

Added by Acts 1975, c. 49, § 3, eff. July 1, 1975. Amended by Acts 1977, c. 693, § 2.