

Article - Commercial Law

12-103.

(b) (1) A lender may charge interest at any effective rate of simple interest on the unpaid principal balance of a loan if:

(i) There is a written agreement signed by the borrower which sets forth the stated rate of interest charged by the lender;

(ii) The loan is secured by a first mortgage or first deed of trust on any interest in residential real property;

(iii) There is no prepayment penalty in connection with the loan;

(iv) The loan is made and the mortgage or deed of trust is executed after the effective date of this section;
AND

[(v) The loan is not a renewal of a loan which was made by the lender to the borrower before the effective date of this section and which was secured by a mortgage or deed of trust on the same property; and

(vi) The lender did not issue before the effective date of this section, a written commitment agreeing to make the loan at a rate of interest of 10 percent or less.

(2) For purposes of paragraph (1)(vi) of this subsection:

(i) "Written commitment" includes any written commitment, written offer to lend, or other written statement issued by a lender which reasonably can be construed to be an offer to make the loan; and

(ii) A written commitment issued before the effective date of this section, to make a loan at an unspecified rate of interest is a commitment to make the loan at a rate of interest of 10 percent or less.

(3) For the purpose of paragraph (1)(v) of this subsection, a refinancing by which the borrower elects to increase the balance due on an existing loan is not a renewal of the loan.]

(V) THE LOAN IS NOT A REFINANCING OF A LOAN SECURED BY A FIRST MORTGAGE OR FIRST DEED OF TRUST ON ANY INTEREST IN RESIDENTIAL REAL PROPERTY UNLESS THE LENDER IS A BANKING INSTITUTION, A NATIONAL BANKING ASSOCIATION, A FEDERAL SAVINGS BANK, A FEDERAL OR STATE SAVINGS AND LOAN ASSOCIATION, OR A FEDERAL OR STATE CREDIT UNION.;