

FOR the purpose of prohibiting a lender of a loan secured by residential real property from entering into a loan agreement which permits the lender to increase or decrease the applicable rate of interest or finance charges during the term of the obligation unless certain conditions are met; requiring the borrower to be given a certain notice regarding a change in the applicable rate of interest or periodic payment amount; and generally relating to disclosures of adjustable rate mortgages.

BY repealing and reenacting, without amendments,

Article - Commercial Law
Section 12-103(b)
Annotated Code of Maryland
(1983 Replacement Volume and 1985 Supplement)

BY repealing and reenacting, with amendments,

Article - Commercial Law
Section 12-118
Annotated Code of Maryland
(1983 Replacement Volume and 1985 Supplement)

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

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;

(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