

(3) THE LENDING INSTITUTION SHALL ANNUALLY PROVIDE THE CONSUMER BORROWER WITH A STATEMENT OF THE ESCROW BALANCE.

(4) THE PROVISIONS OF THIS SUBSECTION DO NOT APPLY TO A LENDING INSTITUTION THAT PROVIDES FOR THE PAYMENT OF TAXES, INSURANCE, OR OTHER EXPENSES UNDER THE DIRECT REDUCTION METHOD BY WHICH THESE EXPENSES, WHEN PAID BY THE LENDING INSTITUTION, ARE ADDED TO THE OUTSTANDING PRINCIPAL BALANCE OF THE LOAN.

(5) (I) THIS SUBSECTION DOES NOT APPLY IF THE LOAN:

1. IS PURCHASED BY AN OUT-OF-STATE LENDER THROUGH THE FEDERAL NATIONAL MORTGAGE ASSOCIATION, THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION, OR THE FEDERAL HOME LOAN MORTGAGE CORPORATION; AND

2. THE OUT-OF-STATE LENDER ELECTS TO SERVICE THE LOAN AS A CONDITION OF PURCHASE.

(II) NOTWITHSTANDING SUBPARAGRAPH (I) OF THIS PARAGRAPH, THIS SUBSECTION SHALL APPLY IF THE OUT-OF-STATE LENDER:

1. SELLS THE LOAN TO A MARYLAND LENDER; OR

2. PLACES THE LOAN WITH A MARYLAND LENDER FOR SERVICING.

(C) (1) EXCEPT UPON FORECLOSURE, RELEASE, OR AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, FUNDS IN ANY ESCROW ACCOUNT MAINTAINED BY A CREDIT GRANTOR ON BEHALF OF A CONSUMER BORROWER FOR USE IN PAYING TAXES, INSURANCE PREMIUMS, AND GROUND RENTS MAY NOT BE USED:

(I) TO REDUCE THE PRINCIPAL; OR

(II) TO PAY INTEREST OR OTHER LOAN CHARGES.

(2) IF THERE IS PERIODICALLY A BALANCE IN THE ESCROW ACCOUNT MAINTAINED BY A CREDIT GRANTOR ON BEHALF OF A CONSUMER BORROWER WHICH EXCEEDS THE AMOUNT STATED IN THE AGREEMENT, NOTE, OR OTHER EVIDENCE OF THE LOAN, THE CONSUMER BORROWER SHALL BE GIVEN AT LEAST ANNUALLY THE OPTION OF:

(I) RECEIVING A REFUND OF THE EXCESS AMOUNT;

(II) APPLYING THE EXCESS AMOUNT TO THE PAYMENT OF PRINCIPAL AND INTEREST; OR

(III) LEAVING THE EXCESS AMOUNT IN THE ESCROW ACCOUNT.

(3) A REFUND OF ANY EXCESS AMOUNT SHALL BE MADE:

(I) WITHIN 60 DAYS AFTER THE RECEIPT BY THE CREDIT GRANTOR OF THE CONSUMER BORROWER'S REQUEST FOR A REFUND; OR