

(B) (1) A LENDING INSTITUTION THAT MAKES A LOAN TO A CONSUMER BORROWER SECURED BY A FIRST MORTGAGE OR FIRST DEED OF TRUST ON RESIDENTIAL REAL PROPERTY AND CREATES OR IS THE ASSIGNEE OF AN ESCROW ACCOUNT IN CONNECTION WITH THAT LOAN SHALL PAY INTEREST TO THE CONSUMER BORROWER ON THE FUNDS IN THE ESCROW ACCOUNT AT THE GREATER OF:

(I) A RATE OF 3 PERCENT PER ANNUM SIMPLE INTEREST; OR

(II) THE RATE OF INTEREST REGULARLY PAID BY THE LENDING INSTITUTION ON REGULAR PASSBOOK SAVINGS ACCOUNTS.

(2) INTEREST ON THESE FUNDS SHALL BE:

(I) COMPUTED ON THE AVERAGE MONTHLY BALANCE IN THE ESCROW ACCOUNT; AND

(II) PAID ANNUALLY TO THE BORROWER BY CREDITING THE ESCROW ACCOUNT WITH THE AMOUNT OF INTEREST DUE.

(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: