

(3) Interest rate decreases warranted by decreases in the agreed upon index shall be mandatory except to the extent that past increases in the index have not been implemented by the lender, either at his option or because the lender was subject to the rate change limitation of paragraph (2) of this section.

(4) The loan instrument shall specify the circumstances under which the rate may increase or decrease, any limitations on an increase or decrease, and the effects of an increase or decrease.

(5) A lender must allow the borrower the choice of implementing the variable rate feature of the loan either by changes in the amount of periodic payments or by extending or reducing the length of the term of the obligation;

(6) Through a periodic billing statement or other written notice, the borrower is notified of the basis and effect of a change in rate, including any change in the required periodic payment amount, at least 15 days prior to the due date of the first payment that reflects the changed rate; and

(7) No new closing costs, processing fees or similar fees are imposed on the borrower as a result of adjustments in rate.

DRAFTER'S NOTE:

Error: Stylistic error in § 12-118 of the Commercial Law Article.

Occurred: Ch. 753, Acts of 1982.

12-126.

(c) In the event of prepayment of the entire loan, the lender shall refund or credit to the borrower the unearned portion of the precomputed interest charge. This refund or credit shall be in an amount not less than the amount which would be refunded or credited if the unearned precomputed interest charge were calculated in accordance with the actuarial method, except that the borrower may not be entitled to a refund or credit of less than \$5. The unearned portion of the precomputed interest charge is, at the option of the lender, either:

(1) That portion of the precomputed interest charge which is allocable to all originally scheduled or, if deferred, all deferred payment periods, or portions of payment periods, ending subsequent to the date of prepayment. The unearned precomputed interest charge is the total of that which would have been earned for each period, or portion of a period, had the loan not been [precomputed] PREPAID, by applying to the unpaid balances of principal, according to the actuarial method, an annual percentage rate based on the precomputed interest charges, assuming that all payments were made as scheduled, or as deferred, if deferred. The lender, at its option, may round this annual percentage rate to the nearest 1/4 of 1 percent; or