

CHAPTER 397

(House Bill 1599)

AN ACT concerning

Credit Regulation – Loans – Escrow Accounts

FOR the purpose of providing for the application of certain requirements regarding the use of funds in escrow accounts; requiring a lender to return or credit to a borrower a certain excess amount in an escrow account under certain circumstances; making stylistic changes; and generally relating to the use of funds in escrow accounts.

BY repealing and reenacting, with amendments,

Article – Commercial Law

Section 12–109.1

Annotated Code of Maryland

(1990 Replacement Volume and 1992 Supplement)

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

Article – Commercial Law

12–109.1.

(A) THE PROVISIONS OF THIS SECTION DO NOT APPLY TO ESCROW ACCOUNTS MAINTAINED IN CONNECTION WITH LOANS DESCRIBED IN § 12–103(E)(1) OF THIS SUBTITLE.

[(a)](B) [Funds] EXCEPT IN A FORECLOSURE, RELEASE, OR AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, FUNDS in any escrow account for use in paying taxes, insurance premiums and ground rents may not be used to [reduce]:

(1) REDUCE the principal; OR

(2) [, or to pay] PAY interest or other loan charges [except upon foreclosure, release, or as provided in subsection (b)].

[(b)](C) If there is periodically [an overage] A BALANCE in the escrow account THAT EXCEEDS THE AMOUNT PROVIDED FOR IN THE NOTE, LOAN AGREEMENT, OR SECURITY INSTRUMENT, the borrower shall be given at least annually the option of:

(1) [receiving] RECEIVING a refund of the [overage] EXCESS AMOUNT;

(2) [, applying] APPLYING the [overage] EXCESS AMOUNT to the payment of principal and interest; or

(3) [of leaving] LEAVING the [overage] EXCESS AMOUNT in the escrow account.

(D) A refund of [the overage] ANY EXCESS AMOUNT shall be made: