

Chapter 618

(Senate Bill 901)

AN ACT concerning

Credit Regulation – Retail Installment Sales and Closed End Credit – Debt Cancellation Agreements – Definitions

FOR the purpose of altering the definition of “debt cancellation agreement”, for purposes of certain provisions of law governing retail installment sales and closed end credit, to include, under certain circumstances, an agreement under which the outstanding balance of a loan is reduced by the actual cash value of a certain motor vehicle or of certain collateral at the time of loss; altering the definitions of “outstanding balance” and “remaining loan balance” to exclude any ~~other items as agreed to by the parties and stated in the debt cancellation agreement~~ deferred payments and the refundable a certain portion of any financed taxes and charges; and generally relating to credit regulation and debt cancellation agreements.

BY repealing and reenacting, without amendments,
 Article – Commercial Law
 Section 12–601(a) and 12–1001(a)
 Annotated Code of Maryland
 (2005 Replacement Volume and 2011 Supplement)

BY repealing and reenacting, with amendments,
 Article – Commercial Law
 Section 12–601(h) and (p) and 12–1001(h) and (l)
 Annotated Code of Maryland
 (2005 Replacement Volume and 2011 Supplement)

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

Article – Commercial Law

12–601.

(a) In this subtitle the following words have the meanings indicated.

(h) “Debt cancellation agreement” means an agreement between a seller and a buyer which provides for cancellation of the outstanding balance payable under an installment sale agreement in the event of theft or total destruction of the motor vehicle that is the subject of the installment sale agreement [after application of]

MINUS the proceeds of any insurance maintained on the motor vehicle **OR, IF THE BUYER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE ACTUAL CASH VALUE OF THE MOTOR VEHICLE AT THE TIME OF LOSS, DETERMINED AS PROVIDED IN THE ~~DEBT CANCELLATION~~ AGREEMENT.**

(p) “Outstanding balance”, when used in reference to a debt cancellation agreement, does not include:

- (1) Any delinquent **OR DEFERRED** payments;
- (2) Past due charges;
- (3) Late payment charges;
- (4) Unearned interest;
- (5) Unearned rental payments; [or]

(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND MECHANICAL REPAIR CONTRACTS, ALREADY REFUNDED TO THE BUYER ACTUALLY REFUNDED TO THE BUYER OR CREDITED AS A REDUCTION TO THE LOAN BALANCE; OR

~~(7)~~ (7) By agreement of the parties, the amount of any primary insurance deductible; ~~OR~~

~~(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN THE DEBT CANCELLATION AGREEMENT.~~

12-1001.

(a) In this subtitle the following words have the meanings indicated.

(h) “Debt cancellation agreement” means an agreement between a credit grantor and a borrower which provides for cancellation of the remaining loan balance in the event of theft or total destruction of the collateral for the loan [after application of] **MINUS the proceeds of any insurance maintained on the collateral for the loan OR, IF THE BORROWER DOES NOT HAVE INSURANCE THAT COVERS THE LOSS, THE ACTUAL CASH VALUE OF THE ~~MOTOR VEHICLE~~ COLLATERAL AT THE TIME OF LOSS, DETERMINED AS PROVIDED IN THE ~~DEBT CANCELLATION~~ AGREEMENT.**

(1) "Remaining loan balance", when used in reference to a debt cancellation agreement, does not include:

- (1) Any delinquent **OR DEFERRED** payments;
- (2) Past due charges;
- (3) Late payment charges;
- (4) Unearned interest;
- (5) Unearned rental payments; [or]

(6) THE REFUNDABLE PORTION OF ANY FINANCED TAXES OR CHARGES, INCLUDING CHARGES FOR CREDIT LIFE INSURANCE, CREDIT HEALTH INSURANCE, CREDIT INVOLUNTARY UNEMPLOYMENT BENEFIT INSURANCE, AND MECHANICAL REPAIR CONTRACTS, ~~ALREADY REFUNDED TO THE BORROWER~~ ACTUALLY REFUNDED TO THE BORROWER OR CREDITED AS A REDUCTION TO THE LOAN BALANCE; OR

~~(6)~~ **(7)** By agreement of the parties, the amount of any primary insurance deductible;~~OR~~

~~(7) OTHER ITEMS AS AGREED TO BY THE PARTIES AND STATED IN THE DEBT CANCELLATION AGREEMENT.~~

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2012.

Approved by the Governor, May 22, 2012.