

Department of Legislative Services
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 203
Finance

(Senator Serafini)

Credit Regulation - Mortgage Brokers - Finder's Fee

This bill repeals the limitation that applies to a mortgage broker who obtains a mortgage loan on the same property more than once in a 24-month period, which specifies that such a broker may charge a finder's fee only on that part of the loan that exceeds the initial loan.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A “finder’s fee” is any compensation or commission directly or indirectly imposed by a broker and paid by or on behalf of the borrower for the broker’s services in procuring, arranging, or otherwise assisting a borrower in obtaining a loan or advance of money. A mortgage broker may charge a finder’s fee of up to 8% of the amount of the loan or advance.

In addition to a finder’s fee, a mortgage broker may charge a borrower for the actual costs of (1) any appraisal, credit report, condominium document, or subordination agreement document obtained by the mortgage broker at the written request of the borrower and (2) any other good or service, as specified in regulations, that is required to complete a loan application process and that, at the written request of the borrower, is paid by the mortgage broker to a third-party provider of the good or service.

A mortgage broker obtaining a mortgage loan on the same property more than once in a 24-month period may charge a finder's fee only on that part of the loan that exceeds the initial loan. This limitation does not apply to (1) fees and charges otherwise permitted under State law or (2) attorney's fees, unless the attorney is functioning as a mortgage broker. In addition, a mortgage broker may not charge a finder's fee in any transaction in which the mortgage broker (or an owner, part owner, partner, director, officer, or employee of the mortgage broker) is the lender (or an owner, part owner, partner, director, officer, or employee of the lender).

Background: The Federal National Mortgage Association's 2017 first mortgage loan size limits for a single-family dwelling are \$424,100 for one-unit loans; \$543,000 for two-unit loans; \$656,350 for three-unit loans; and \$815,650 for four-unit loans. The limit for second mortgages is \$212,050. Loan limits for high-cost areas in 2017 equal 115% of local median housing prices and cannot exceed 150% of the standard limit (a maximum of \$636,150 for one-unit homes in the continental United States).

The Office of the Commissioner of Financial Regulation of the Department of Labor, Licensing, and Regulation is responsible for, among other things, licensing and supervising financial institutions, including mortgage lenders, mortgage brokers, mortgage servicers, mortgage loan originators, and affiliated insurance producer-originators, to ensure compliance with the laws and regulations of Maryland. The office provides assistance to consumers by investigating complaints of questionable business practices involving State chartered, licensed, and registered financial institutions under its supervision and authority.

Additional Information

Prior Introductions: A similar bill, SB 706 of 2009, was withdrawn. Its cross file, HB 643 of 2009, was also withdrawn. Another similar bill, HB 1107 of 2007, passed the House and received a hearing in the Senate Finance Committee, but no further action was taken.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Federal Housing Finance Agency; Federal National Mortgage Association; Department of Legislative Services

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