

March 23, 2023

Senate Finance Committee

Chair: Senator Melony Griffith

House Bill 1150 - Commercial Law and Financial Institutions - Credit Regulation - Shared Appreciation Agreements

Re: Letter of Support

In a shared appreciation mortgage transaction, a consumer homeowner agrees to share a percentage of the appreciation in the home's value with the lender in exchange for an advance of funds. The homeowner will generally not incur a periodic payment requirement but must repay the advance upon occurrence of a future event. The amount repaid will depend, in part, on how the value of the home changed since the loan's inception. Maryland's mortgage law does not explicitly address these transactions and consumers are without guidance.

This bill adds a statutory definition of "shared appreciation agreements" to Maryland law, confirming that those agreements are residential mortgage loans and that they are subject to both applicable mortgage loan laws and the regulatory authority of the OCFR, including applicable licensure requirements. Under this bill, a "shared appreciation agreement" is a transaction in which money is advanced to a consumer in exchange for (1) an equity or other interest in their residential real estate or (2) a future obligation to repay under certain circumstances, including a transfer of ownership, maturity date, borrower's death, or another outlined and explicitly agreed circumstance. This bill also confirms the Commissioner of Financial Regulation can promulgate regulations to establish a regulatory framework for these agreements and clarify certain requirements pertaining to licensing, disclosures, and other consumer protections.

This bill is intended to protect consumers from the risks inherent in these complex transactions. This confirmation will protect and benefit consumers by establishing a clear licensing and regulatory framework for oversight of transactions that may otherwise be structured to avoid disclosure and other consumer protection requirements. Further, this change confirms persons offering shared appreciation transactions are subject to the OCFR's general examination, investigation, and enforcement authority and to certain penalties for violations of the law. Industry stakeholders will also benefit from this bill as they will enjoy clearer requirements for licensing and regulatory compliance.

With that, we request a favorable Committee Report.