

HB0223 - FIN - MBA - FAV - GR24.pdf

Uploaded by: Evan Richards

Position: FAV



HB 223 - Commercial Law – Mortgage Loans – Verification of Ability to Repay

Committee: Senate Finance Committee

Date: March 20, 2024

Position: Favorable

The Maryland Bankers Association (MBA) **SUPPORTS** HB 223, which exempts community development financial institutions (CDFIs) from considering a borrower’s ability to repay a mortgage loan from consideration on whether to approve the loan. Granting this exemption will greatly increase access to capital for Marylanders who reside in underserved communities.

CDFIs specialize in providing low-interest loans, along with financial education and business coaching, to these communities in need. Several banking institutions in Maryland partner with CDFIs to provide these products and services.

Under the Maryland Mortgage Lending Law, a mortgage lender is required to consider a borrower’s ability to repay the mortgage. With this existing statute in place, CDFIs may not be able to work with potential mortgagees to meet their goal of homeownership, which ultimately restricts credit flowing into communities that need it the most. HB 223 removes a barrier to homeownership and allows CDFIs to continue improving the lives of Marylanders who have traditionally not been given the resources needed to thrive.

Maryland banks recognize the importance of addressing racial and economic inequality and passing this legislation will help prioritize the needs of those harmed by systemic inequities. Accordingly, MBA urges a **FAVORABLE** report on HB 223.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 26,000 Marylanders and holding more than \$209 billion in deposits in over 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

HB 213 - Loan Repayment - FAV - REALTORS.pdf

Uploaded by: Lisa May

Position: FAV



House Bill 213 – Commercial Law - Mortgage Loans - Verification of Ability to Repay

Position: Support

Maryland REALTORS® supports HB 213, to conform Maryland’s ability to repay regulations to the federal standards for community development financial institutions (CFDIs). CFDIs are a critical link for lower-income and underserved Maryland residents to achieve homeownership in a difficult economic environment.

In recent years, the housing market has experienced both a doubling of mortgage interest rates and a 31% increase in housing prices. This “double trouble” of the housing market has reduced consumers’ buying power by nearly \$200,000 since the pandemic began. It has also exacerbated the racial and ethnic disparities in homeownership rates, which are now back to levels not seen since the passage of the Fair Housing Act.

In addition, inflationary pressures and high rents have made it difficult for Marylanders to save for their eventual home purchase. A January 2024 poll conducted by American Strategies showed that 86% say saving for a down-payment and closing costs is a huge or medium obstacle to their home purchase, and an astounding 99% of Maryland voters aged 18-34 say that it is harder for them to purchase a home than for previous generations.

Especially now, it is critical that all Marylanders have broad access to mortgage lending products that meet their needs and allow them to achieve homeownership. For these reasons, Maryland REALTORS® asks for your support for HB 213.

**For more information contact lisa.may@mdrealtor.org
or christa.mcgee@mdrealtor.org**

HB0223_MMBBA_McKay_FWA (2).pdf

Uploaded by: DENNIS RASMUSSEN

Position: FWA



Testimony offered on behalf of:
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION, INC.

IN SUPPORT, WITH AMENDMENT, OF:
HB0223 – Commercial Law – Mortgage Loans –
Verification of Ability to Repay

Senate Finance Committee
Hearing – 03/20/2024 at 1:00 PM

The Maryland Mortgage Bankers and Brokers Association, Inc. (“MMBBA”) **SUPPORTS HOUSE BILL 0223, WITH AN AMENDMENT.**

HB0223 brings Maryland in line with Federal Ability-to-Repay regulations and would give Maryland underserved communities the same homeownership opportunities as 43 other States.

Community Development Financial Institutions (CDFI) are exempt from Federal Ability-to-Repay rules. The Consumer Financial Protection Bureau (CFPB) granted this exemption, acknowledging that many consumers not only deserve the opportunity of homeownership, but can demonstrate a high likelihood of loan repayment despite an inability to conform to traditional Ability-to-Repay standards. CDFIs provide capital to the underserved communities in which many of these consumers reside. The MMBBA supports the bill with an amendment to include mortgages in Maryland made under CL Title 12, Subtitle 1, which is where a majority of first mortgages originate.

Maryland does not have this same exemption because Maryland enacted Ability-to-Repay rules before the Federal Government (2010 vs. 2013).

For these reasons, the MMBBA urges a **FAVORABLE COMMITTEE REPORT, WITH AN AMENDMENT, on House Bill 0223**

Respectfully submitted,

Brendan McKay

Brendan A. McKay, Co-Chair, MMBBA Legislative Committee
BMcKay@mckaymtg.com – (301) 520-5677

Queen_testimony-HB223-FIN.pdf

Uploaded by: Pamela Queen

Position: FWA



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Sponsor Testimony - Request for Favorable Recommendation

Greetings Chair Pamela Beidle, Vice Chair Katherine Klausmeier, and members of the Finance Committee,

I seek a favorable recommendation for HB 223 - Commercial Law - Mortgage Loans - Verification of Ability to Repay. This bill will exempt mortgage loans made by Maryland Community Development Financial Institutions (CDFIs) from certain requirements to verify a borrower's ability to repay the loan, as outlined by the CFPB. CDFIs are community based financial institutions that are dedicated to promoting economic development by providing financial services to communities historically underserved by traditional financial institutions. As of 2023, there are 13 CDFIs headquartered in Maryland without this ability. This bill would improve the competitiveness of Maryland CDFIs, especially because federally chartered financial institutions already operate under this exemption.

This bill is consistent with prior legislation enacted to enable chartered banks in Maryland with this ability. HB 223 passed out of the House Chambers with a 110-28 favorable votes.

With the minor amendment for consistency, I again seek a favorable recommendation from this committee.

Cordially,

A handwritten signature in cursive script, appearing to read "Pamela E. Queen".

HB 223_Crossover_Consumer Protection Division_Oppo

Uploaded by: Kira Wilpone-Welborn

Position: UNF

CANDACE McLAREN LANHAM
Chief Deputy Attorney General

CAROLYN A. QUATTROCKI
Deputy Attorney General

LEONARD J. HOWIE III
Deputy Attorney General

CHRISTIAN E. BARRERA
Chief Operating Officer

ZENITA WICKHAM HURLEY
Chief, Equity, Policy, and Engagement

PETER V. BERNIS
General Counsel



ANTHONY G. BROWN
Attorney General

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

WILLIAM D. GRUHN
Chief
Consumer Protection Division

Writer's Direct Dial No.
410-576-6986
kwilponewelborn@oag.state.md.us

March 19, 2024

To: The Honorable Pamela Beidle
Chair, Finance Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 223 – Commercial Law - Mortgage Loans - Verification of Ability to Repay
(OPPOSE)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) opposes House Bill 223 sponsored by Delegate Pam Queen. Presently, under Commercial Law § 12-1029, mortgage lenders issuing loans with government guarantees and/or refinancing certain mortgage loans are excused from conducting a review of a borrower’s ability to repay. House Bill 223 seeks to further expand this borrower’s ability to repay verification exemption to Community Development Financial Institutions. Specifically, House Bill 223 exempts Community Development Financial Institutions from conducting a review of a borrower’s ability to repay the mortgage loan, including a review of the borrower’s debt-to-income ratio and a borrower’s verified monthly income and assets through third-party documentation. No CDFI in Maryland is seeking an exemption.

Allowing Community Development Financial Institutions to issue mortgage loans without verifying a borrower’s ability to repay creates the unnecessary risk of consumers being marketed and provided loans they ultimately cannot afford. As seen during the mortgage foreclosure crisis of the late 2000s, mortgage loans provided to consumers with little to no income inquiry and verification ultimately resulted in a high rate of loan defaults and foreclosures, and substantial harm to the housing and banking markets.¹ Loosening the carefully created guardrails of verifying

¹ See The Financial Crisis Inquiry Commission Report, January 2011, http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf

a borrower's ability to repay, as House Bill 223 seeks to do, could subject underserved borrowers to the deceptive, unfair, and abusive practices of being targeted with and provided mortgage loans they cannot afford.

For these reasons, the Division requests that the Finance Committee give House Bill 223 an unfavorable report.

cc: The Honorable Pam Queen
Members, Finance Committee