

February 20, 2025

Senate Finance Committee
Chair: Senator Pamela Beidle

Senate Bill 689 - Financial Institutions - Conventional Home Mortgage Loans - Assumption and Required Disclosures

Re: Letter of Information

Senate Bill 689 creates a right to assume a mortgage in the event of divorce. The right to assume a mortgage in the event of divorce already exists for federally backed mortgages (approximately 65% of the mortgage types made in Maryland). This bill would extend the assumption right to the remaining 35%. The Office of Financial Regulation (OFR) supervises mortgage lending in Maryland.

OFR was asked to provide response to the following questions:

- How does OFR enforce existing state lending requirements?

OFR has licensing, examination, investigation, and enforcement authority over mortgage lenders to ensure compliance with state and federal laws. Here's how each function applies:

1. **Licensing** – OFR requires mortgage lenders, brokers, and originators to obtain licenses to operate legally in Maryland. It reviews applications and background checks to ensure applicants meet financial and ethical standards. In FY 2024, OFR licensed 1,127 mortgage lenders. See **FI §§11-506 and 11-509**
2. **Examinations** – OFR conducts periodic and risk-based examinations of licensed mortgage companies to assess compliance with Maryland and federal mortgage lending laws, such as the **Maryland Mortgage Lender Law** and the **Truth in Lending Act (TILA)**. See **FI §11-515(a)**.
3. **Investigations** – The agency investigates consumer complaints and potential violations of mortgage laws, including fraud, predatory lending, and unfair or deceptive practices. See **FI §§2-114 and 11-515(b)**.
4. **Enforcement** – If violations are found, the OFR has the authority to take corrective actions, impose fines, issue cease-and-desist orders, suspend or revoke licenses, and refer cases for legal action. See **FI §2-115(b)**.

This oversight helps protect consumers from fraudulent or abusive lending practices and ensures the integrity of Maryland's mortgage industry.

- Where/how do borrowers file complaints if their lender (or other entity) is not adhering to state requirements?

OFR has a [complaint form](#) in English and Spanish that can be submitted via web form, email, mail, or in person. Once received, OFR logs the complaints, mails the complainant an acknowledgment of receipt of the complaint, and proceeds to investigate the allegations. Complaints are assigned to a Financial Examiner in the Consumer Services Unit who sends a copy of the complaint to the financial service provider for response. The Examiner reviews their response, and may request additional information from the complainant or the financial service provider. The Examiner continues communicating with the parties until they have obtained sufficient information to properly assess the complaint. Once the Examiner concludes work on the complaint (whether by resolution, referral, or otherwise), they mail or email the complainant a closing letter notifying them of the outcome of the investigation.

When determining an appropriate resolution to a complaint, the Examiner considers issues of harm or potential harm to the general public as well as specific to the individual complainant. If the investigation reveals that violations of law have occurred, further action may be taken by OFR. Such actions may include requiring the reimbursement of fees, interest or other consumer restitution, or imposing fines or other civil penalties on the financial service provider. The complaint may also be referred to OFR's Enforcement Unit for further investigation (according to the statutes listed above).

- As for the disclosure requirement in particular, how does OFR enforce that? Does the Office review disclosure documents?

OFR requests and obtains full loan files during an examination and complaint specific documents during a complaint investigation. Documentation required by law, including any disclosures, is reviewed. If errors or omissions are discovered, there is often a resolution (which may involve an informal letter agreement, memorandum of understanding or cease and desist order and the payment of penalties) during the examination or complaint investigation process. However, the matter could become an enforcement action described above.