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THE SENATE OF MARYLAND
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**Testimony in Support of SB0689 - Financial Institutions - Conventional Home Mortgage
Loans - Assumption and Required Disclosures**

Madame Chair, Mr. Vice Chair, and fellow members of the Senate Finance Committee:

SB0689 would guarantee that all home loans can be “assumed” in cases of divorce.

Background

This bill was inspired by a constituent, Kelly Seely, who found herself in an incredibly difficult situation while going through a divorce. As part of the divorce settlement, Kelly was left with the home that she and her former spouse had purchased together. Determined to provide stability for her children and keep them in the home they had grown up in, Kelly sought to assume the mortgage solely in her name.

Despite meeting all creditworthiness and income requirements, she was initially told that assuming the loan was not an option. Kelly fought tirelessly on behalf of her family, advocating for the ability to take over the mortgage that was already tied to the home she now owned. Eventually, after persistent efforts and a little intervention, she was informed that the loan could, in fact, be assumed. Though she is still in the process of finalizing the assumption, the prospect of securing her family’s future in their home has been a profound relief. Her children will now be able to remain in their community and schools without facing the upheaval of displacement—all because she was able to take over the loan that should have been hers from the outset.

Had Kelly been forced to refinance instead of assuming the loan, the financial impact would have been significant. Like many homeowners who secured their mortgages when interest rates were lower, Kelly would have had to take out a new loan at today’s significantly higher rates. This would have resulted in higher monthly mortgage payments—potentially costing her hundreds of dollars more each month and tens of thousands over the life of the loan. The added financial strain could have forced her to sell her home, displacing her and her children despite her ability to afford the original loan terms.

Kelly’s experience also shed light on a much larger issue: **many lenders themselves are unaware that mortgage assumptions are possible, even under existing law.** Throughout this process, we discovered that many mortgage servicers incorrectly tell borrowers that conventional loans cannot be assumed, despite Fannie Mae and Freddie Mac guidelines explicitly allowing

such assumptions. This lack of awareness among lenders creates unnecessary roadblocks for homeowners—particularly those already navigating the financial and emotional challenges of separation.

Existing Law

An assumable mortgage allows a home loan to be transferred from the original borrower to another party without altering its interest rate or repayment period. For example, if a homeowner has been paying a 15-year mortgage for three years, the person assuming the loan would have twelve years remaining under the same terms.

In contrast, refinancing a mortgage requires obtaining an entirely new loan, often at a higher interest rate and with a different repayment period. By assuming a loan, homeowners can preserve a lower interest rate, potentially saving hundreds of dollars per month and tens of thousands over the life of the loan. For families like Kelly's, this can mean the difference between staying in their home or being forced to leave during an already challenging time.

Certain types of loans, such as those backed by the Federal Housing Administration (FHA), Department of Veterans Affairs (VA), and U.S. Department of Agriculture (USDA), are generally assumable. However, most conventional home loans—which are not backed by a government agency—are not. Within conventional loans, “conforming” loans (those that meet Fannie Mae and Freddie Mac guidelines) are assumable in cases of divorce, while “nonconforming” loans (which do not meet those guidelines) are not.

Conforming loans are subject to a loan limit, which in 2025 is set at \$806,500 for most of Maryland. However, in higher-cost counties—Calvert, Charles, Frederick, Montgomery, and Prince George's—the limit is \$1,149,825. Many nonconforming loans exceed these limits, making them ineligible for assumption. Notably, Anne Arundel County adheres to the lower national threshold despite having areas with a high cost of living, meaning many homeowners in the county are left without the option of assuming a loan in the event of divorce.

Solution

SB0689 would:

1. Ensure that all home loans in Maryland, not already assumable in cases of divorce, become assumable—provided the assuming party continues to meet the loan's creditworthiness and income requirements.
2. Require banking institutions to disclose, in writing, an assumption provision in any conventional home mortgage loan before the loan application is completed.

3. Increase awareness among mortgage servicers and lenders by ensuring clear guidelines and transparency regarding assumption policies, preventing borrowers from being misinformed about their options.

According to the Fiscal Note, SB0689 would not require additional state resources to implement.

For these reasons, I respectfully request a favorable report on SB0689.