

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE**Revised**

Senate Bill 90 (Senator Astle)

Finance

Mortgage Brokers - Insurance Agents - Collection of a Finder's Fee

This bill allows a mortgage broker, who also acts as an insurance agent for the same property or transaction, to collect a finder's fee for assisting the borrower obtain a mortgage, provided that the mortgage broker discloses to the borrower in a separate written agreement that: (1) the mortgage broker may collect a finder's fee in addition to any compensation that the mortgage broker may receive as an insurance agent in connection with the same property or transaction; and (2) the borrower is not required to hire the mortgage broker as a condition to obtaining insurance. This written disclosure must be made before the mortgage broker undertakes to assist the borrower in obtaining a mortgage.

The bill authorizes the Maryland Insurance Administration to deny, suspend, revoke, or refuse to renew a certification of qualification of an insurance agent who violates the provisions of this bill. The bill also allows an insurance agent who acts as a mortgage broker for the same property or transaction to collect a finder's fee.

The bill takes effect on October 1, 1998, and sunsets on September 30, 2001.

Fiscal Summary

State Effect: None. The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: Potential meaningful impact on small businesses.

Fiscal Analysis

Small Business Effect: Most mortgage brokerage firms are small businesses with an average of five employees. Under current law, a person who acts as a mortgage broker and an insurance agent for the same property may not collect a finder's fee. This bill could have a meaningful, positive impact on mortgage brokerage firms to the extent that profits increase and competition is enhanced by permitting mortgage brokers who also procure insurance to collect a finder's fee. This bill could encourage mortgage brokers to provide insurance, and encourage insurance providers to engage in mortgage brokering.

Information Sources: Department of Labor, Licensing, and Regulation; Attorney General's Office (The Division of Consumer Protection); Department of Legislative Services

Fiscal Note History: First Reader - January 30, 1998
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