Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1056   (Delegate McIntosh, *et al.*)

Commerce and Government Matters

Mortgage Lending - Single Premium Financed Credit Insurance - Prohibited

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This bill prohibits lenders and grantors of open or closed end credit, as part of a mortgage loan, from financing any single premium insurance coverages, including credit life, credit accident and health, credit disability, involuntary unemployment benefit, or any other life or health insurance. A lender who violates the bill is guilty of a misdemeanor, with a maximum penalty of a $1,000 fine and/or imprisonment of one year.

Fiscal Summary

State Effect: Enforcement could be handled with the existing budgeted resources of the Commissioner of Financial Regulation. The criminal penalty provisions of this bill are not expected to significantly affect State finances or operations.

Local Effect: The criminal penalty provisions of this bill are not expected to significantly affect local finances or operations.

Small Business Effect: Meaningful.

Analysis

Current Law: None applicable.

Background: One technique used by some accused predatory lenders is to require home buyers to purchase single premium insurance coverages as part of the loan. Financing single premium insurance as part of a mortgage has also been used for other purposes, including the favorable tax treatment of mortgage interest.

Small Business Effect: Small mortgage lending businesses that require or offer single premium insurance coverages as part of a mortgage could experience a loss in interest revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Maryland Insurance Administration; Office of the Attorney General; Department of Legislative Services

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ef/jr

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