

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 841

(Senators Conway and Exum)

Finance

**Mortgage Lending - Financing of Single Premium Insurance Coverages -
Prohibited**

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: An identical bill, HB 1056, was introduced in the 2001 session and received an unfavorable report from the House Commerce and Government Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - March 13, 2002
ncs/jr

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