

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 649

(Delegates McIntosh and Wood)

Commerce and Government Matters

Finance

Credit Regulation - Extensions of Credit

This bill prohibits a mortgage lender, for small consumer loans, secondary mortgage loans, and closed end credit loans secured by real property, from: (1) financing single premium credit health, credit life, or credit involuntary unemployment benefit insurance as part of a loan; and (2) making loans without giving due regard to the borrower's ability to repay the loan in accordance with its terms. The bill requires mortgage lenders to provide potential borrowers with a recommendation that they seek home buyer education or housing counseling and information on where to obtain the counseling. The bill also provides that only the State may enact a law that purports to regulate extensions of credit made by a financial institution. The State preemption provision does not restrict or otherwise affect: (1) local laws that establish property ownership or the rights and obligations of property owners; (2) a local government's ability to regulate its fiscal, economic, or community development policy; (3) federal preemption of State law; (4) a local government's laws or regulations relating to fair housing or other civil rights; or (5) a local government's loan programs to assist residents with financial needs.

The bill's preemption provisions are effective June 1, 2002.

Fiscal Summary

State Effect: Enforcement of the bill's requirements for mortgage lenders could be handled with the existing budgeted resources of the Division of Financial Regulation.

Local Effect: The bill would not materially affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Current Law: For small consumer loans, secondary mortgage loans, and closed end credit loans secured by real property, a consumer borrower has the option of whether to purchase credit life, credit accident and health, credit disability, credit involuntary unemployment benefit, and similar insurance coverages. If a borrower elects any of these coverages, the lender may collect a single premium, which can be financed. With limited exceptions, a lender may not take a security interest in real property for a loan under \$2,000 in value.

For secondary mortgage loans, the lender may require that the borrower insure and may collect from the borrower the premiums paid for insurance on any real property securing the loan, the life of any person obligated on the loan, and the title of any real property securing the loan.

The State regulates extensions of credit by financial institutions through the Division of Financial Regulation within the Department of Labor, Licensing, and Regulation.

Background: To date, no local government has enacted a law or ordinance that would violate the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 499 (Senator Bromwell) - Finance.

Information Source(s): Department of Labor, Licensing, and Regulation (Division of Financial Regulation); Kent County; Montgomery County; Prince George's County; Washington County; Worcester County; Baltimore City; Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2002
ncs/jr Revised - House Third Reader - March 29, 2002
Revised - Enrolled Bill - May 1, 2002

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510

