

# HOUSE BILL 925

I2, I3

71r2155

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By: **Delegate Simmons**

Introduced and read first time: February 9, 2007

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Credit Regulation – Mortgage Brokers – Required Disclosures**

3 FOR the purpose of requiring a mortgage broker, before undertaking to assist a  
4 borrower in obtaining a loan or advance of money, to provide the borrower with  
5 a certain disclosure form; specifying the contents of the disclosure form;  
6 requiring the disclosure form to be signed and dated by the borrower and the  
7 mortgage broker; requiring the mortgage broker to attach the disclosure form to  
8 a certain application and maintain the form in certain records; establishing a  
9 certain penalty for a violation of certain provisions of this Act; clarifying a  
10 certain defined term; providing for the application of this Act; and generally  
11 relating to required disclosures by mortgage brokers.

12 BY repealing and reenacting, with amendments,  
13 Article – Commercial Law  
14 Section 12–801 and 12–807 to be under the amended subtitle “Subtitle 8. Loans  
15 – Finder’s Fees and Required Disclosures”  
16 Annotated Code of Maryland  
17 (2005 Replacement Volume and 2006 Supplement)

18 BY repealing and reenacting, without amendments,  
19 Article – Commercial Law  
20 Section 12–805(d)  
21 Annotated Code of Maryland  
22 (2005 Replacement Volume and 2006 Supplement)

23 BY adding to

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Commercial Law  
2 Section 12–805.1  
3 Annotated Code of Maryland  
4 (2005 Replacement Volume and 2006 Supplement)

5 BY repealing and reenacting, without amendments,  
6 Article – Financial Institutions  
7 Section 11–501(a), (h), and (i)(1)  
8 Annotated Code of Maryland  
9 (2003 Replacement Volume and 2006 Supplement)

10 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
11 MARYLAND, That the Laws of Maryland read as follows:

12 **Article – Commercial Law**

13 Subtitle 8. Loans – Finder’s Fees **AND REQUIRED DISCLOSURES.**

14 12–801.

15 (a) In this subtitle the following words have the meanings indicated.

16 (b) “Borrower” means an individual who obtains a loan or advance of money.

17 (c) “Finder’s fee” means any compensation or commission directly or  
18 indirectly imposed by a broker and paid by or on behalf of the borrower for the broker’s  
19 services in procuring, arranging, or otherwise assisting a borrower in obtaining a loan  
20 or advance of money.

21 (d) “Lender” means a person defined as a mortgage lender under §  
22 11–501(i)(1)(ii) of the Financial Institutions Article.

23 (e) “Mortgage broker” [means a person defined as a mortgage lender under §  
24 11–501(i)(1)(i)] **HAS THE MEANING STATED IN § 11–501** of the Financial Institutions  
25 Article.

26 (f) “Person” includes an individual, corporation, business trust, estate, trust,  
27 partnership, association, two or more persons having a joint or common interest, or  
28 any other legal or commercial entity.

29 12–805.

1 (d) (1) A finder's fee may not be charged unless it is pursuant to a written  
2 agreement between the mortgage broker and the borrower which is separate and  
3 distinct from any other document.

4 (2) The terms of the proposed agreement shall be disclosed to the  
5 borrower before the mortgage broker undertakes to assist the borrower in obtaining a  
6 loan or advance of money and shall specify the amount of the finder's fee.

7 (3) A copy of the agreement, dated and signed by the mortgage broker  
8 and the borrower, shall be provided to the borrower within 10 business days after the  
9 date the loan application is completed.

10 **12-805.1.**

11 (A) **BEFORE A MORTGAGE BROKER UNDERTAKES TO ASSIST A**  
12 **BORROWER IN OBTAINING A LOAN OR ADVANCE OF MONEY, THE MORTGAGE**  
13 **BROKER SHALL PROVIDE TO THE BORROWER A DISCLOSURE FORM THAT:**

14 (1) **IS SEPARATE AND DISTINCT FROM THE LOAN APPLICATION,**  
15 **FINDER'S FEE AGREEMENT REQUIRED UNDER § 12-805(D) OF THIS SUBTITLE,**  
16 **AND ANY OTHER DOCUMENT; AND**

17 (2) **CONTAINS THE FOLLOWING NOTICE IN AT LEAST 12 POINT**  
18 **BOLDFACE TYPE:**

19 **"NOTICE**

20 **NOT ALL LENDERS WHO MAKE LOANS TO MARYLAND RESIDENTS ARE**  
21 **SUBJECT TO REGULATION BY THE STATE, AND LOANS MADE BY THESE LENDERS**  
22 **ARE NOT SUBJECT TO MANY OF THE CONSUMER PROTECTIONS PROVIDED BY**  
23 **MARYLAND'S CONSUMER LENDING LAWS. THESE PROTECTIONS INCLUDE**  
24 **LIMITS ON THE AMOUNT OF INTEREST YOU MAY BE CHARGED AND LIMITS ON**  
25 **THE FEE YOU MAY BE CHARGED IF YOU PREPAY YOUR MORTGAGE LOAN.**

26 **YOU MAY CALL THE OFFICE OF THE MARYLAND COMMISSIONER OF**  
27 **FINANCIAL REGULATION AT (INSERT TOLL FREE TELEPHONE NUMBER OF**  
28 **COMMISSIONER) TO DETERMINE IF YOUR PROPOSED LENDER IS REGULATED BY**  
29 **THE COMMISSIONER AND IF YOUR PROPOSED LOAN IS SUBJECT TO THE**  
30 **PROTECTIONS PROVIDED BY MARYLAND'S CONSUMER LENDING LAWS."**



1                                   2.     Collects or otherwise receives payments on mortgage  
2 loans directly from borrowers for distribution to any other person.

3                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
4 loans arranged by a mortgage broker subject to this Act on or after October 1, 2007.

5                   SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
6 October 1, 2007.