

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

House Bill 845 (Delegate Simmons)  
Economic Matters

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Mortgage Lenders - Final Mortgage Payment - Notice to Borrower

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This bill requires a “mortgage lender” that receives payments from a borrower that include escrowed items, at least 30 days before the final mortgage payment is due, to notify the borrower that it is the borrower’s responsibility to continue making payments on the escrowed items after making the final mortgage payment. The mortgage lender must also notify the borrower that it is the borrower’s responsibility to inform any appropriate governmental unit, insurer, or other person that future statements relating to the escrowed items should be sent to the borrower’s address. The notice must be in writing and sent by certified mail (return receipt requested) to the borrower’s address of record.

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Fiscal Summary

**State Effect:** Enforcement could be handled with the existing budgeted resources of the Commissioner of Financial Regulation.

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

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Generally, when a loan secured by a mortgage or deed of trust has been paid in full, the holder must mark the mortgage or deed of trust as “paid” or “canceled” and return specified documents to the borrower. Alternatively, the holder of the mortgage or deed of trust may furnish the borrower with a written statement identifying

the loan as having been paid in full and release any recorded mortgage or deed of trust. The holder must then record the release, arrange for its recordation by a responsible person, or furnish the release to the borrower with instructions about recording the release. A holder of a mortgage or deed of trust is not required to inform a borrower about the borrower's duty to pay escrowed amounts after the loan has been paid in full.

**Background:** Frequently, as a condition to granting a loan secured by a mortgage or deed of trust, a lender requires that a borrower agree to the lender paying certain items on the borrower's behalf through an escrow account. Items typically paid from an escrow account include taxes and homeowner's insurance, and sometimes condominium or homeowners association dues. The account is funded from payments made by the borrower as part of the monthly payment on the debt, in addition to the principal and interest payments.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

**Fiscal Note History:** First Reader - March 1, 2007  
bfl/ljm

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Analysis by: T. Ryan Wilson

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510