HB 1107

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 1107 (Delegate Feldman, *et al.*)
Economic Matters Finance

Credit Regulation - Mortgage Brokers - Finder's Fee

This bill alters the application of the provision governing a mortgage broker's finder's fee for obtaining a mortgage loan on the same property more than once within a 24-month period. Under the bill, a mortgage broker may charge a finder's fee only on the amount of the loan that exceeds the initial loan if the second loan is obtained for the same borrower *and* either is obtained to cure a default that has existed for more than 30 days on the loan being refinanced or is a "covered loan."

Fiscal Summary

State Effect: Assuming the number of complaints received because of the bill is small, enforcement could be handled with the existing resources of the Commissioner of Financial Regulation. If a large number of complaints is received, additional staff could be needed and requested through the annual budget process. Revenues would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, a mortgage broker may charge a finder's fee of up to 8% of the amount of the loan or advance. In addition to a finder's fee, a mortgage broker may charge a borrower for the actual costs of any appraisal or credit report obtained by the mortgage broker. A mortgage broker obtaining a mortgage loan on the same property more than once in a 24-month period may charge a finder's fee only on that part of the loan that exceeds the initial loan.

Background: Under 15 U.S.C. § 1602(aa), a mortgage means a consumer credit transaction that is secured by a consumer's principal dwelling (other than a residential mortgage transaction, a reverse mortgage transaction, or a transaction under an open end credit plan) if:

- the annual percentage rate at the beginning of the transaction will exceed by more than 10 percentage points the yield on Treasury securities having comparable periods of maturity on the fifteenth day of the month immediate preceding the month in which the application for the extension of credit is received by the creditor; or

- the total points and fees payable by the consumer at or before closing will exceed the greater of 8% of the total loan amount or $400.

The Board of Governors of the Federal Reserve System may change the number of percentage points in the formula above under specified circumstances.

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

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