

**SB0270/827473/1**

BY: Finance Committee

AMENDMENTS TO SENATE BILL 270

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in the sponsor line, strike “and Stone” and substitute “Stone, Astle, Exum, Garagiola, Haines, and Klausmeier”; in line 5, strike “subprime” and substitute “mortgage”; in line 7, after “loans;” insert “repealing certain provisions of law that establish a certain presumption about a borrower’s ability to repay a loan;”; in line 8, after “include” insert “consideration of a certain debt to income ratio and”; in the same line, after “income” insert “and assets”; strike beginning with “providing” in line 10 down through “credit;” in line 12; in line 17, after “applicants” insert “and licensees”; strike beginning with “requiring” in line 23 down through “work;” in line 24; in line 26, after “felonies;” insert “requiring the Commissioner to conduct certain studies; requiring the Commissioner to report certain findings and recommendations on or before a certain date;”; and in line 27, strike “a certain definition” and substitute “certain definitions; altering a certain definition”.

On page 2, in line 11, strike “12-905(g),”; in line 27, strike “11-506(a) and (d)” and substitute “11-506(d)”; and in line 33, after “11-503.1,” insert “11-508.1,”.

AMENDMENT NO. 2

On page 3, in line 9, strike “(1)”; in the same line, after “SECTION” insert a comma; strike beginning with the first “THE” in line 9 down through “(4)” in line 17; and in line 17, strike “MORTGAGE” and substitute “MORTGAGE”.

On pages 3 and 4, strike in their entirety the lines beginning with line 19 on page 3 through line 10 on page 4, inclusive.

On page 5, in line 6, strike “(1)”; in lines 6 and 8, in each instance, strike “SUBPRIME” and substitute “MORTGAGE”; strike in their entirety lines 10 through

(Over)

14, inclusive; in line 23, strike “**APPLICABLE TO A**” and substitute “, **AS DEFINED IN THE**”; in line 24, strike “**FOR A RESIDENTIAL REAL PROPERTY**” and substitute “**DOCUMENTS, PREVAILING**”; in the same line, strike “**IT IS ORIGINATED**” and substitute “**THE MORTGAGE LOAN IS APPROVED BY THE LENDER**”; in line 27, after “(3)” insert “**(I)**”; after line 28, insert:

**“(II) “MORTGAGE LOAN” DOES NOT INCLUDE A REVERSE MORTGAGE LOAN.”**;

strike in their entirety lines 29 through 31, inclusive; in line 32, strike “(1)”; and in line 33, after the second “the” insert “**MORTGAGE**”.

On page 6, strike in their entirety lines 1 through 5, inclusive; in line 11, strike “**VERIFICATION**” and substitute “:

**(I) CONSIDERATION OF THE BORROWER’S DEBT TO INCOME RATIO, INCLUDING EXISTING DEBTS AND OTHER OBLIGATIONS; AND**

**(II) VERIFICATION**”;

in line 12, after “**INCOME**” insert “**AND ASSETS**”; in the same line, after “**OF**” insert “**THIRD-PARTY**”; in line 14, after “**ACCEPTABLE**” insert “**THIRD-PARTY**”; strike beginning with “**A**” in line 15 down through “**BORROWER**” in line 16 and substitute “**THE BORROWER’S INTERNAL REVENUE SERVICE FORM W-2**”; in line 17, strike “**FEDERAL**”; in line 19, strike “**THE BORROWER’S MOST RECENT PAY STUB; AND**” and substitute “**PAYROLL RECEIPTS;**”; strike beginning with “**A**” in line 20 down through “**EMPLOYER**” in line 21 and substitute “**THE RECORDS OF A FINANCIAL INSTITUTION; OR**

**(V) OTHER THIRD-PARTY DOCUMENTS THAT PROVIDE REASONABLY RELIABLE EVIDENCE OF THE BORROWER'S INCOME OR ASSETS.**

**(3) THIS SUBSECTION DOES NOT APPLY TO A MORTGAGE LOAN APPROVED FOR GOVERNMENT GUARANTY BY THE FEDERAL HOUSING ADMINISTRATION, VETERANS ADMINISTRATION, OR COMMUNITY DEVELOPMENT ADMINISTRATION**;

in lines 30 and 31, strike “APPLICABLE TO A” and substitute “, **AS DEFINED IN THE**”; in line 31, strike “FOR A RESIDENTIAL REAL PROPERTY” and substitute “**DOCUMENTS, PREVAILING**”; and in lines 31 and 32, strike “IT IS ORIGINATED” and substitute “**THE MORTGAGE LOAN IS APPROVED BY THE LENDER**”.

On page 7, in line 4, after “(5)” insert “(I)”; after line 5, insert:

**“(II) “MORTGAGE LOAN” DOES NOT INCLUDE A REVERSE MORTGAGE LOAN.”**;

strike in their entirety lines 6 through 8, inclusive; in line 27, strike “(1)”; and in line 28, after the second “the” insert “**MORTGAGE**”.

On page 8, strike in their entirety lines 3 through 7, inclusive; in line 13, strike “VERIFICATION” and substitute “:

**(I) CONSIDERATION OF THE BORROWER'S DEBT TO INCOME RATIO, INCLUDING EXISTING DEBTS AND OTHER OBLIGATIONS; AND**

**(II) VERIFICATION**”;

(Over)

in line 14, after “INCOME” insert “AND ASSETS”; in the same line, after “OF” insert “THIRD-PARTY”; in line 16, after “ACCEPTABLE” insert “THIRD-PARTY”; strike beginning with “A” in line 17 down through “BORROWER” in line 18 and substitute “THE BORROWER’S INTERNAL REVENUE SERVICE FORM W-2”; in line 19, strike “FEDERAL”; in line 21, strike “THE BORROWER’S MOST RECENT PAY STUB; AND” and substitute “PAYROLL RECEIPTS;”; and strike beginning with “A” in line 22 down through “EMPLOYER” in line 23 and substitute “THE RECORDS OF A FINANCIAL INSTITUTION; OR”

(V) OTHER THIRD-PARTY DOCUMENTS THAT PROVIDE REASONABLY RELIABLE EVIDENCE OF THE BORROWER’S INCOME OR ASSETS.

(3) THIS SUBSECTION DOES NOT APPLY TO A MORTGAGE LOAN APPROVED FOR GOVERNMENT GUARANTY BY THE FEDERAL HOUSING ADMINISTRATION, VETERANS ADMINISTRATION, OR COMMUNITY DEVELOPMENT ADMINISTRATION.

On page 9, in lines 9 and 10, strike “APPLICABLE TO A” and substitute “, AS DEFINED IN THE”; in line 10, strike “FOR A RESIDENTIAL REAL PROPERTY” and substitute “DOCUMENTS, PREVAILING”; in line 11, strike “IT IS ORIGINATED” and substitute “THE SECONDARY MORTGAGE LOAN IS APPROVED BY THE LENDER”; strike in their entirety lines 16 through 18, inclusive; in line 19, strike “(1)”; strike in their entirety lines 25 through 29, inclusive; in line 35, strike “VERIFICATION” and substitute “:”

(I) CONSIDERATION OF THE BORROWER’S DEBT TO INCOME RATIO, INCLUDING EXISTING DEBTS AND OTHER OBLIGATIONS; AND

(II) VERIFICATION”;

in line 36, after “INCOME” insert “AND ASSETS”; and in the same line, after “OF” insert “THIRD-PARTY”.

On page 10, in line 3, after “ACCEPTABLE” insert “THIRD-PARTY”; strike beginning with “A” in line 4 down through “BORROWER” in line 5 and substitute “THE BORROWER’S INTERNAL REVENUE SERVICE FORM W-2”; in line 6, strike “FEDERAL”; in line 8, strike “THE BORROWER’S MOST RECENT PAY STUB; AND” and substitute “PAYROLL RECEIPTS”; and strike beginning with “A” in line 9 down through “EMPLOYER” in line 10 and substitute “THE RECORDS OF A FINANCIAL INSTITUTION; OR”

(V) OTHER THIRD-PARTY DOCUMENTS THAT PROVIDE REASONABLY RELIABLE EVIDENCE OF THE BORROWER’S INCOME OR ASSETS.

(3) THIS SUBSECTION DOES NOT APPLY TO A SECONDARY MORTGAGE LOAN APPROVED FOR GOVERNMENT GUARANTY BY THE FEDERAL HOUSING ADMINISTRATION, VETERANS ADMINISTRATION, OR COMMUNITY DEVELOPMENT ADMINISTRATION”.

On page 11, strike in their entirety lines 15 through 17, inclusive; in lines 21 and 22, strike “APPLICABLE TO A” and substitute “, AS DEFINED IN THE”; in line 22, strike “FOR A RESIDENTIAL REAL PROPERTY” and substitute “DOCUMENTS, PREVAILING”; in lines 22 and 23, strike “IT IS ORIGINATED” and substitute “THE MORTGAGE LOAN IS APPROVED BY THE CREDIT GRANTOR”; in line 25, after “(3)” insert “(I)”; after line 26, insert:

“(II) “MORTGAGE LOAN” DOES NOT INCLUDE A REVERSE MORTGAGE LOAN.”;

and in line 27, strike “(1)”.

(Over)

On page 12, strike in their entirety lines 1 through 5, inclusive; in line 7, strike “**VERIFICATION**” and substitute “**:**”

**(I) CONSIDERATION OF THE BORROWER’S DEBT TO INCOME RATIO, INCLUDING EXISTING DEBTS AND OTHER OBLIGATIONS; AND**

**(II) VERIFICATION**”;

in line 8, after “**INCOME**” insert “**AND ASSETS**”; in the same line, after “**OF**” insert “**THIRD-PARTY**”; in line 10, after “**ACCEPTABLE**” insert “**THIRD-PARTY**”; strike beginning with “**A**” in line 11 down through “**BORROWER**” in line 12 and substitute “**THE BORROWER’S INTERNAL REVENUE SERVICE FORM W-2**”; in line 13, strike “**FEDERAL**”; in line 15, strike “**THE BORROWER’S MOST RECENT PAY STUB; AND**” and substitute “**PAYROLL RECEIPTS**”; and strike beginning with “**A**” in line 16 down through “**EMPLOYER**” in line 17 and substitute “**THE RECORDS OF A FINANCIAL INSTITUTION; OR**

**(V) OTHER THIRD-PARTY DOCUMENTS THAT PROVIDE REASONABLY RELIABLE EVIDENCE OF THE BORROWER’S INCOME OR ASSETS.**

**(3) THIS SUBSECTION DOES NOT APPLY TO A MORTGAGE LOAN APPROVED FOR GOVERNMENT GUARANTY BY THE FEDERAL HOUSING ADMINISTRATION, VETERANS ADMINISTRATION, OR COMMUNITY DEVELOPMENT ADMINISTRATION**”.

On page 12, in lines 26 and 27, strike “**APPLICABLE TO A**” and substitute “**, AS DEFINED IN THE**”; in line 27, strike “**FOR A RESIDENTIAL REAL PROPERTY**” and substitute “**DOCUMENTS, PREVAILING**”; and in lines 27 and 28, strike “**IT IS**

ORIGINATED” and substitute “THE MORTGAGE LOAN IS APPROVED BY THE CREDIT GRANTOR”.

On page 13, in line 1, after “(5)” insert “(I)”; after line 2, insert:

“(II) “MORTGAGE LOAN” DOES NOT INCLUDE A REVERSE MORTGAGE LOAN.”;

in line 3, strike “(1)”; strike in their entirety lines 9 through 13, inclusive; in line 19, strike “VERIFICATION” and substitute “:

(I) CONSIDERATION OF THE BORROWER’S DEBT TO INCOME RATIO, INCLUDING EXISTING DEBTS AND OTHER OBLIGATIONS; AND

(II) VERIFICATION”;

in line 20, after “INCOME” insert “AND ASSETS”; in the same line, after “OF” insert “THIRD-PARTY”; in line 22, after “ACCEPTABLE” insert “THIRD-PARTY”; strike beginning with “A” in line 23 down through “BORROWER” in line 24 and substitute “THE BORROWER’S INTERNAL REVENUE SERVICE FORM W-2”; in line 25, strike “FEDERAL”; in line 27, strike “THE BORROWER’S MOST RECENT PAY STUB; AND” and substitute “PAYROLL RECEIPTS;”; and strike beginning with “A” in line 28 down through “EMPLOYER” in line 29 and substitute “THE RECORDS OF A FINANCIAL INSTITUTION; OR

(V) OTHER THIRD-PARTY DOCUMENTS THAT PROVIDE REASONABLY RELIABLE EVIDENCE OF THE BORROWER’S INCOME OR ASSETS.

(3) THIS SUBSECTION DOES NOT APPLY TO A MORTGAGE LOAN APPROVED FOR GOVERNMENT GUARANTY BY THE FEDERAL HOUSING

(Over)

ADMINISTRATION, VETERANS ADMINISTRATION, OR COMMUNITY DEVELOPMENT ADMINISTRATION”.

AMENDMENT NO. 3

On page 15, strike in their entirety lines 2 through 28, inclusive.

On page 18, in line 7, strike “\$1,000,000” and substitute “\$750,000”; and after line 17, insert:

“11-508.1.

(A) AN APPLICANT FOR A NEW LICENSE OR FOR THE RENEWAL OF A LICENSE SHALL SATISFY THE COMMISSIONER THAT THE APPLICANT OR LICENSEE HAS, AND AT ALL TIMES WILL MAINTAIN, A MINIMUM NET WORTH COMPUTED ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:

(1) IN THE CASE OF AN APPLICANT OR LICENSEE THAT DOES NOT LEND MONEY SECURED BY RESIDENTIAL REAL PROPERTY, IN THE AMOUNT OF \$25,000; AND

(2) IN THE CASE OF AN APPLICANT OR LICENSEE THAT LENDS MONEY SECURED BY RESIDENTIAL REAL PROPERTY, IN THE AMOUNT OF:

(I) \$25,000, IF THE APPLICANT OR LICENSEE, IN THE 12 MONTHS PRIOR TO THE LICENSE APPLICATION OR THE RENEWAL APPLICATION, LENT IN THE AGGREGATE NO MORE THAN \$1,000,000 SECURED BY RESIDENTIAL REAL PROPERTY;

(II) \$50,000, IF THE APPLICANT OR LICENSEE, IN THE 12 MONTHS PRIOR TO THE LICENSE APPLICATION OR THE RENEWAL APPLICATION,



LENT IN THE AGGREGATE MORE THAN \$1,000,000 BUT NO MORE THAN \$5,000,000 SECURED BY RESIDENTIAL REAL PROPERTY;

(III) \$100,000, IF THE APPLICANT OR LICENSEE, IN THE 12 MONTHS PRIOR TO THE LICENSE APPLICATION OR RENEWAL APPLICATION, LENT IN THE AGGREGATE MORE THAN \$5,000,000 BUT NO MORE THAN \$10,000,000 SECURED BY RESIDENTIAL REAL PROPERTY; AND

(IV) \$250,000, IF THE APPLICANT OR LICENSEE, IN THE 12 MONTHS PRIOR TO THE LICENSE APPLICATION OR RENEWAL APPLICATION, LENT IN THE AGGREGATE MORE THAN \$10,000,000 SECURED BY RESIDENTIAL REAL PROPERTY.

(B) (1) THE MINIMUM NET WORTH REQUIREMENTS UNDER SUBSECTION (A)(2) OF THIS SECTION MAY BE SATISFIED BY THE APPLICANT OR LICENSEE HAVING:

(I) CASH ON DEPOSIT WITH A BANK OR DEPOSITORY INSTITUTION;

(II) A LINE OF CREDIT FROM A BANK OR DEPOSITORY INSTITUTION;

(III) OTHER ASSETS; OR

(IV) A COMBINATION OF CASH, A LINE OF CREDIT, OR OTHER ASSETS.

(2) IF CASH IS USED TOWARD SATISFYING THE MINIMUM NET WORTH REQUIREMENTS UNDER SUBSECTION (A)(2) OF THIS SECTION, THE

(Over)

APPLICANT OR LICENSEE SHALL SUBMIT TO THE COMMISSIONER A BANK LETTER VERIFYING:

(I) THE ACCOUNT BALANCE;

(II) THE TYPE OF ACCOUNT IN WHICH THE FUNDS ARE HELD; AND

(III) THAT THE FUNDS ARE NOT ENCUMBERED OR HYPOTHECATED IN ANY WAY.

(3) IF A LINE OF CREDIT IS USED TOWARD SATISFYING THE MINIMUM NET WORTH REQUIREMENTS UNDER SUBSECTION (A)(2) OF THIS SECTION, THE APPLICANT OR LICENSEE SHALL SUBMIT TO THE COMMISSIONER A COPY OF THE LINE OF CREDIT AGREEMENT AND PROMISSORY NOTE.”.

On page 19, in line 31, after “REGULATION;” insert “AND”.

On page 20, strike beginning with “; AND” in line 3 down through “LICENSEE” in line 6.

AMENDMENT NO. 4

On page 22, after line 7, insert:

“SECTION 4. AND BE IT FURTHER ENACTED, That:

(a) The Commissioner of Financial Regulation shall study the feasibility of conducting examinations of mortgage lender licensees using a risk-based approach rather than a fixed schedule approach.

(b) On or before January 1, 2009, the Commissioner shall report the findings of the study and any recommendations, in accordance with § 2-1246 of the State Government Article, to the Senate Finance Committee and the House Economic Matters Committee.

SECTION 5. AND BE IT FURTHER ENACTED, That:

(a) The Commissioner of Financial Regulation shall study the use of a call feature in which a mortgage loan contains a provision that permits the lender or credit grantor, in its sole discretion, absent a default or failure of the borrower to abide by the material terms of the mortgage loan, to accelerate the indebtedness of a mortgage loan.

(b) On or before January 1, 2009, the Commissioner shall report the findings of the study and any recommendations, in accordance with § 2-1246 of the State Government Article, to the Senate Finance Committee and the House Economic Matters Committee.”;

and in line 8, strike “4.” and substitute “6.”.