

# SENATE BILL 535

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EMERGENCY BILL

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By: **Senator Muse**

Introduced and read first time: February 1, 2008

Assigned to: Judicial Proceedings

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## A BILL ENTITLED

1 AN ACT concerning

2 **Foreclosure – Subprime Mortgages – Moratorium**

3 FOR the purpose of prohibiting a creditor from maintaining suit in an action to  
4 foreclose a certain mortgage under certain circumstances; establishing that a  
5 certain creditor may be liable for certain damages under certain circumstances;  
6 defining certain terms; providing for the termination of this Act; making this  
7 Act an emergency measure; and generally relating to imposing a moratorium on  
8 foreclosure of certain subprime mortgages.

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
10 MARYLAND, That:

11 (a) (1) In this section the following words have the meanings indicated.

12 (2) “Homeowner” means the record owner of residential real property  
13 consisting of not more than four single family dwelling units, one of which is occupied  
14 by the owner, as the owner’s principal residence, at the time an order to docket or a  
15 petition to foreclose is filed.

16 (3) “Deceptive subprime mortgage” means a mortgage that:

17 (i) is an extension of credit to a homeowner by a creditor that  
18 employed deceptive means, including an exaggeration of a homeowner’s potential  
19 future income or a failure to properly disclose the current and future interest rate of a  
20 mortgage, to convince a homeowner to borrow more than the homeowner could afford,  
21 or could have reasonably been expected to afford; and

22 (ii) 1. allows a homeowner to pay only interest for a period  
23 of time;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1                                   2.     allows a homeowner to make a minimum payment  
2 that may be lower than the payment required to reduce the balance of the mortgage;

3                                   3.     has an initial fixed rate that, after a period of time, is  
4 replaced with a variable rate; or

5                                   4.     was agreed to with minimal or no income verification  
6 information requested from the homeowner.

7           (b)    In an action to foreclose a mortgage entered into by a homeowner, the  
8 creditor may not maintain suit in a court of this State, unless the creditor shows to the  
9 satisfaction of the court that the mortgage is not a deceptive subprime mortgage.

10           (c)   A creditor that fails to show to the satisfaction of the court that the  
11 mortgage is not a deceptive subprime mortgage may be liable for damages not  
12 exceeding the amount of the mortgage, in addition to any other penalty provided by  
13 law.

14           SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency  
15 measure, is necessary for the immediate preservation of the public health or safety,  
16 has been passed by a yea and nay vote supported by three-fifths of all the members  
17 elected to each of the two Houses of the General Assembly, and shall take effect from  
18 the date it is enacted. It shall remain effective for a period of 6 months from the date it  
19 is enacted and, at the end of the 6-month period, with no further action required by  
20 the General Assembly, this Act shall be abrogated and of no further force and effect.