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EMERGENCY BILL

9lr3387 CF 9lr3396

By: Senator Middleton

Introduced and read first time: March 9, 2009

Assigned to: Rules

A BILL ENTITLED

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1	AN	$\mathbf{A}(C'\Gamma)$	concerning
_	,		0011001111119

Credit Regulation - Mortgage Loans - Proof of Ability to Repay - Exception

- FOR the purpose of establishing an exception for certain mortgage loans that refinance an existing mortgage loan to the requirement that the due regard certain lenders and credit grantors must give to a borrower's ability to repay
- 6 certain lenders and credit grantors must give to a borrower's ability to repay certain mortgage loans include consideration of the borrower's debt to income
- 7 ratio and verification in a certain manner of certain income and assets of the
- 8 borrower; making this Act an emergency measure; and generally relating to
- 9 mortgage loans.
- 10 BY repealing and reenacting, without amendments,
- 11 Article Commercial Law
- 12 Section 12–127(b), 12–311(d), 12–409.1(b), 12–925(b), and 12–1029(b)
- 13 Annotated Code of Maryland
- 14 (2005 Replacement Volume and 2008 Supplement)
- 15 BY repealing and reenacting, with amendments,
- 16 Article Commercial Law
- 17 Section 12–127(c), 12–311(e), 12–409.1(c), 12–925(c), and 12–1029(c)
- 18 Annotated Code of Maryland
- 19 (2005 Replacement Volume and 2008 Supplement)
- 20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
- 21 MARYLAND, That the Laws of Maryland read as follows:

22 Article - Commercial Law

- 23 12–127.
- 24 (b) A lender may not make a mortgage loan without giving due regard to the
- 25 borrower's ability to repay the mortgage loan in accordance with its terms, including



1 2 3	homeowner's insu	ted rate of the mortgage loan, if applicable, and property taxes and insurance whether or not an escrow account is established for the payment of these expenses.		
4 5	(c) (1) include:	Due regard to a borrower's ability to repay a mortgage loan must		
6 7	including existing	(i) Consideration of the borrower's debt to income ratio g debts and other obligations; and		
8 9 10	assets by review lender to be accur-	(ii) Verification of the borrower's gross monthly income and of third-party written documentation reasonably believed by the rate and complete.		
11	(2)	Acceptable third-party written documentation includes:		
12		(i) The borrower's Internal Revenue Service form W–2;		
13		(ii) A copy of the borrower's income tax return;		
14		(iii) Payroll receipts;		
15		(iv) The records of a financial institution; or		
16 17	reliable evidence o	(v) Other third-party documents that provide reasonably of the borrower's income or assets.		
18	(3)	This subsection does not apply to a mortgage loan [approved]:		
19 20 21	Housing Administration; O	(I) APPROVED for government guaranty by the Federal stration, Veterans Administration, or Community Development OR		
22 23	THE REFINANCE	(II) THAT REFINANCES AN EXISTING MORTGAGE LOAN IS MORTGAGE LOAN IS:		
24 25	AFFORDABILITY	1. OFFERED UNDER THE FEDERAL HOMEOWNER AND STABILITY PLAN; AND		
26 27 28	MORTGAGE CO	2. MADE AVAILABLE BY THE FEDERAL HOME LOAN ORPORATION OR THE FEDERAL NATIONAL MORTGAGE		

29 12–311.

1 2 3 4 5	borrower's ability the fully indexed	to repair rate our urance	ay not make a mortgage loan without giving due regard to the ay the mortgage loan in accordance with its terms, including of the mortgage loan, if applicable, and property taxes and whether or not an escrow account is established for the f these expenses.
6 7	(e) (1) include:	Due	regard to a borrower's ability to repay a mortgage loan must
8 9	including existing	(i) g debts a	Consideration of the borrower's debt to income ratio, and other obligations; and
10 11 12	assets by review lender to be accur		Verification of the borrower's gross monthly income and rd-party written documentation reasonably believed by the complete.
13	(2)	Accep	otable third-party written documentation includes:
14		(i)	The borrower's Internal Revenue Service form W–2;
15		(ii)	A copy of the borrower's income tax return;
16		(iii)	Payroll receipts;
17		(iv)	The records of a financial institution; or
18 19	reliable evidence	(v) of the b	Other third-party documents that provide reasonably orrower's income or assets.
20	(3)	This	subsection does not apply to a mortgage loan [approved]:
21 22 23	Housing Admini		APPROVED for government guaranty by the Federal n, Veterans Administration, or Community Development
24 25	THE REFINANCE	(II) MORT	THAT REFINANCES AN EXISTING MORTGAGE LOAN IF GAGE LOAN IS:
26 27	AFFORDABILITY	AND S	1. OFFERED UNDER THE FEDERAL HOMEOWNER STABILITY PLAN; AND
28 29 30	MORTGAGE Construction	ORPOR	2. MADE AVAILABLE BY THE FEDERAL HOME LOAN ATION OR THE FEDERAL NATIONAL MORTGAGE

12-409.1.

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ASSOCIATION.

1 2 3 4 5	regard to the born with its terms, in applicable, and pr	rower's cludin operty	ay not make a secondary mortgage loan without giving due ability to repay the secondary mortgage loan in accordance g the fully indexed rate of the secondary mortgage loan, if taxes and homeowner's insurance whether or not an escrower the collection and payment of these expenses.
6 7	(c) (1) loan must include:		regard to a borrower's ability to repay a secondary mortgage
8 9	including existing	(i) debts a	Consideration of the borrower's debt to income ratio, and other obligations; and
10 11 12	assets by review lender to be accura		Verification of the borrower's gross monthly income and departy written documentation reasonably believed by the complete.
13	(2)	Accep	otable third–party written documentation includes:
14		(i)	The borrower's Internal Revenue Service form W–2;
15		(ii)	A copy of the borrower's income tax return;
16		(iii)	Payroll receipts;
17		(iv)	The records of a financial institution; or
18 19	reliable evidence o	(v) of the b	Other third-party documents that provide reasonably orrower's income or assets.
20 21	(3) [approved]:	This	subsection does not apply to a secondary mortgage loan
22 23 24	Housing Administration; O		APPROVED for government guaranty by the Federal n, Veterans Administration, or Community Development
25 26	THE REFINANCE	(II) MORT	THAT REFINANCES AN EXISTING MORTGAGE LOAN IF GAGE LOAN IS:
27 28	AFFORDABILITY	AND S	1. OFFERED UNDER THE FEDERAL HOMEOWNER TABILITY PLAN; AND
29			2. MADE AVAILABLE BY THE FEDERAL HOME LOAN

MORTGAGE CORPORATION OR THE FEDERAL NATIONAL MORTGAGE

1	12–925.
2 3 4 5 6	(b) A credit grantor may not make a mortgage loan without giving due regard to the borrower's ability to repay the mortgage loan in accordance with its terms, including the fully indexed rate of the mortgage loan, if applicable, and property taxes and homeowner's insurance whether or not an escrow account is established for the collection and payment of these expenses.
7 8	(c) (1) Due regard to a borrower's ability to repay a mortgage loan must include:
9 10	(i) Consideration of the borrower's debt to income ratio including existing debts and other obligations; and
11 12 13	(ii) Verification of the borrower's gross monthly income and assets by review of third-party written documentation reasonably believed by the credit grantor to be accurate and complete.
14	(2) Acceptable third–party written documentation includes:
15	(i) The borrower's Internal Revenue Service form W-2;
16	(ii) A copy of the borrower's income tax return;
17	(iii) Payroll receipts;
18	(iv) The records of a financial institution; or
19 20	(v) Other third-party documents that provide reasonably reliable evidence of the borrower's income or assets.
21	(3) This subsection does not apply to a mortgage loan [approved]:
22 23 24	(I) APPROVED for government guaranty by the Federa Housing Administration, Veterans Administration, or Community Development Administration; OR
25 26	(II) THAT REFINANCES AN EXISTING MORTGAGE LOAN IS:
27	1. Offered under the federal Homeowner

2. MADE AVAILABLE BY THE FEDERAL HOME LOAN 30 MORTGAGE CORPORATION OR THE FEDERAL NATIONAL MORTGAGE

AFFORDABILITY AND STABILITY PLAN; AND

ASSOCIATION.

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1	12–1029.		
2 3 4 5 6	regard to the borr terms, including t property taxes an	ower's he fu d hor	antor may not make a mortgage loan without giving due is ability to repay the mortgage loan in accordance with its ally indexed rate of the mortgage loan, if applicable, and neowner's insurance whether or not an escrow account is tion and payment of these expenses.
7 8	(c) (1) include:	Due 1	regard to a borrower's ability to repay a mortgage loan must
9 10	including existing o	(i) lebts a	Consideration of the borrower's debt to income ratio, and other obligations; and
11 12 13	assets by review o		Verification of the borrower's gross monthly income and cd-party written documentation reasonably believed by the cate and complete.
14	(2)	Accep	otable third–party written documentation includes:
15		(i)	The borrower's Internal Revenue Service form W–2;
16		(ii)	A copy of the borrower's income tax return;
17		(iii)	Payroll receipts;
18		(iv)	The records of a financial institution; or
19 20	reliable evidence of	(v) the b	Other third-party documents that provide reasonably orrower's income or assets.
21	(3)	This	subsection does not apply to a mortgage loan [approved]:
22 23 24	Housing Administ Administration; OF		APPROVED for government guaranty by the Federal n, Veterans Administration, or Community Development
25 26	THE REFINANCE M	(II) MORT	THAT REFINANCES AN EXISTING MORTGAGE LOAN IF
27			1. OFFERED UNDER THE FEDERAL HOMEOWNER

29 **2.** MADE AVAILABLE BY THE FEDERAL HOME LOAN 30 MORTGAGE CORPORATION OR THE FEDERAL NATIONAL MORTGAGE 31 ASSOCIATION.

AFFORDABILITY AND STABILITY PLAN; AND

SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a yea and nay vote supported by three–fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted.