SB 706

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 706 (Senator Pugh)
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 (1) the second loan is obtained for the same borrower; and (2) is either obtained to cure a default that exists for more than 30 days on the loan being refinanced, or is a "covered loan."

Fiscal Summary

State Effect: The bill's requirements can be handled with existing resources of the Commissioner of Financial Regulation.

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: The Federal National Mortgage Association's 2009 first mortgage loan size limits for a single-family dwelling are $417,000 for one family loans; $533,850 for two family loans; $645,300 for three family loans; and $801,950 for four family loans. The limit for second mortgages is $208,500. Loan limits for "high-cost" areas in 2009 equal 115% of local median housing prices and cannot exceed 150% of the standard limit, which is $625,500 for one-unit homes in the continental United States.

Under 15 U.S.C. § 1602(aa), a mortgage is defined as 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: An identical bill was introduced in the 2007 session as HB 1107. The bill passed the House and was heard by the Senate Finance Committee, but no further action was taken.

Cross File: HB 643 (Delegate Feldman) - Economic Matters.

Information Source(s): Department of Legislative Services

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