

SENATE BILL 787

11, 12

01r2830

By: **Senator Pugh**

Introduced and read first time: February 10, 2010

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Mortgage Lenders – Net Worth Requirements**

3 FOR the purpose of establishing that for purposes of satisfying certain minimum net
4 worth requirements, in addition to computing the net worth of an applicant for
5 a new mortgage broker's license or for the renewal of a license according to
6 generally accepted accounting principles, net worth may be computed according
7 to any other recognized comprehensive basis of accounting; and generally
8 relating to net worth requirements for mortgage brokers.

9 BY repealing and reenacting, without amendments,
10 Article – Financial Institutions
11 Section 11–501(a) and (f)
12 Annotated Code of Maryland
13 (2003 Replacement Volume and 2009 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article – Financial Institutions
16 Section 11–508.1
17 Annotated Code of Maryland
18 (2003 Replacement Volume and 2009 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article – Financial Institutions**

22 11–501.

23 (a) In this subtitle the following words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (f) "License" means a license issued by the Commissioner under this subtitle
2 to authorize a person to engage in business as a mortgage lender.

3 11-508.1.

4 (a) An applicant for a new license or for the renewal of a license shall satisfy
5 the Commissioner that the applicant or licensee has, and at all times will maintain, a
6 minimum net worth computed according to generally accepted accounting principles
7 **OR ANY OTHER RECOGNIZED COMPREHENSIVE BASIS OF ACCOUNTING:**

8 (1) In the case of an applicant or licensee that does not lend money
9 secured by a dwelling or residential real estate, in the amount of \$25,000; and

10 (2) In the case of an applicant or licensee that lends money secured by
11 a dwelling or residential real estate, in the amount of:

12 (i) \$25,000, if the applicant or licensee, in the 12 months prior
13 to the license application or the renewal application, lent in the aggregate not more
14 than \$1,000,000 secured by a dwelling or residential real estate;

15 (ii) \$50,000, if the applicant or licensee, in the 12 months prior
16 to the license application or the renewal application, lent in the aggregate more than
17 \$1,000,000, but not more than \$5,000,000 secured by a dwelling or residential real
18 estate;

19 (iii) \$100,000, if the applicant or licensee, in the 12 months prior
20 to the license application or the renewal application, lent in the aggregate more than
21 \$5,000,000, but not more than \$10,000,000 secured by a dwelling or residential real
22 estate; and

23 (iv) \$250,000, if the applicant or licensee, in the 12 months prior
24 to the license application or the renewal application, lent in the aggregate more than
25 \$10,000,000 secured by a dwelling or residential real estate.

26 (b) (1) Subject to paragraphs (2) and (3) of this subsection, the minimum
27 net worth requirements under subsection (a)(2) of this section may be satisfied by the
28 applicant or licensee having:

29 (i) Cash on deposit with a bank or depository institution;

30 (ii) A line of credit from a bank or depository institution;

31 (iii) Other assets; or

32 (iv) A combination of cash, a line of credit, or other assets.

1 (2) If cash is used toward satisfying the minimum net worth
2 requirements under subsection (a)(2) of this section, the applicant or licensee shall
3 submit to the Commissioner a bank letter verifying:

4 (i) The account balance;

5 (ii) The type of account in which the funds are held; and

6 (iii) That the funds are not encumbered or hypothecated in any
7 way.

8 (3) (i) If a line of credit is used toward satisfying the minimum net
9 worth requirements under subsection (a)(2) of this section, the applicant or licensee
10 shall submit to the Commissioner a copy of the line of credit agreement and the
11 promissory note.

12 (ii) A line of credit may not be used toward satisfying more than
13 75% of the minimum net worth requirements under subsection (a)(2) of this section.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 2010.