

# SENATE BILL 787

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By: **Senator Pugh**

Introduced and read first time: February 10, 2010

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 5, 2010

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## CHAPTER \_\_\_\_\_

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~~ a certain  
5 applicant for a new mortgage broker's license or for the renewal of a license  
6 according to generally accepted accounting principles, net worth may be  
7 computed according to any other recognized comprehensive basis of accounting  
8 approved by the Commissioner of Financial Regulation; and generally relating  
9 to net worth requirements for mortgage brokers.

10 BY repealing and reenacting, without amendments,  
11 Article – Financial Institutions  
12 Section 11–501(a) and (f)  
13 Annotated Code of Maryland  
14 (2003 Replacement Volume and 2009 Supplement)

15 BY repealing and reenacting, with amendments,  
16 Article – Financial Institutions  
17 Section 11–508.1  
18 Annotated Code of Maryland  
19 (2003 Replacement Volume and 2009 Supplement)

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 **Article – Financial Institutions**

2 11–501.

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

4 (f) “License” means a license issued by the Commissioner under this subtitle  
5 to authorize a person to engage in business as a mortgage lender.

6 11–508.1.

7 (a) An applicant for a new license or for the renewal of a license shall satisfy  
8 the Commissioner that the applicant or licensee has, and at all times will maintain, a  
9 minimum net worth computed according to generally accepted accounting principles  
10 **OR, WITH RESPECT TO AN APPLICANT OR LICENSEE DESCRIBED IN ITEM (1) OF**  
11 **THIS SUBSECTION, ANY OTHER RECOGNIZED COMPREHENSIVE BASIS OF**  
12 **ACCOUNTING APPROVED BY THE COMMISSIONER:**13 (1) In the case of an applicant or licensee that does not lend money  
14 secured by a dwelling or residential real estate, in the amount of \$25,000; and15 (2) In the case of an applicant or licensee that lends money secured by  
16 a dwelling or residential real estate, in the amount of:17 (i) \$25,000, if the applicant or licensee, in the 12 months prior  
18 to the license application or the renewal application, lent in the aggregate not more  
19 than \$1,000,000 secured by a dwelling or residential real estate;20 (ii) \$50,000, if the applicant or licensee, in the 12 months prior  
21 to the license application or the renewal application, lent in the aggregate more than  
22 \$1,000,000, but not more than \$5,000,000 secured by a dwelling or residential real  
23 estate;24 (iii) \$100,000, if the applicant or licensee, in the 12 months prior  
25 to the license application or the renewal application, lent in the aggregate more than  
26 \$5,000,000, but not more than \$10,000,000 secured by a dwelling or residential real  
27 estate; and28 (iv) \$250,000, if the applicant or licensee, in the 12 months prior  
29 to the license application or the renewal application, lent in the aggregate more than  
30 \$10,000,000 secured by a dwelling or residential real estate.31 (b) (1) Subject to paragraphs (2) and (3) of this subsection, the minimum  
32 net worth requirements under subsection (a)(2) of this section may be satisfied by the  
33 applicant or licensee having:

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

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

2 (iii) Other assets; or

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

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

7 (i) The account balance;

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

9 (iii) That the funds are not encumbered or hypothecated in any  
10 way.

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

15 (ii) A line of credit may not be used toward satisfying more than  
16 75% of the minimum net worth requirements under subsection (a)(2) of this section.

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

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.