

**Department of Legislative Services**

Maryland General Assembly

2010 Session

**FISCAL AND POLICY NOTE**

House Bill 1004

(Delegates Conaway and Anderson)

Economic Matters

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**Credit Regulation - Application Fees for Credit Cards and Loans - Prohibited**

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This bill prohibits a person who offers a credit card or a consumer, business, or mortgage loan from charging an application, administrative, or processing fee to an applicant for the credit card or loan.

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**Fiscal Summary**

**State Effect:** None. The bill pertains to private-sector activities.

**Local Effect:** None. The bill pertains to private-sector activities.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Current Law:** If an unsecured open-end credit plan is established for a consumer borrower, a fee or charge may not be charged unless the agreement concerning the unsecured open-end credit plan permits the fee to be charged. If a plan is established for a nonconsumer borrower, the nonconsumer borrower and credit grantor may agree upon any terms concerning charges and fees.

With respect to an unsecured open-end credit plan, fees or charges may not be imposed on a consumer borrower in addition to permitted interest or finance charges. If the unsecured open-end credit plan is offered by a seller of goods and/or services, and the plan may be used only for the purchase or lease of the seller's goods and services, the seller may charge one of the following fees:

- an annual charge;
- a transaction charge or charges; and
- a minimum charge for each scheduled billing period with an outstanding balance.

An unsecured open-end credit plan offered by any other credit grantor may also contain any or all of the aforementioned fees.

With respect to mortgage loans, notwithstanding other provisions of law, a lender may impose and collect, as a condition of making a loan, all fees, discounts, points, or other charges that a lender is permitted or required to impose, collect, or pay pursuant to:

- a federal law providing for a program of mortgage purchases;
- loans originated pursuant to a State or local governmental direct lending or mortgage purchase program; or
- a direct lending or mortgage purchase program by any federal agency or instrumentality or subsidiary.

A lender may impose and collect, as a condition of making a loan, all fees, discounts, points, or other charges relating to mortgage loans through the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Reserve Bank, the Federal Home Loan Bank, and the Farmers Home Administration. However, the loan must be eligible for purchase pursuant to a commitment or offer to purchase by the federal, State, or local government agency, instrumentality, or subsidiary; the sum of the fees, discounts, points, or other charges imposed plus the interest rate on the loan cannot exceed 24%; and the fees, discounts, points, or other charges imposed and the interest rate on the loan cannot exceed those allowed by the applicable federal law providing for the mortgage purchase program.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 1579 of 2009, would have prohibited a person that issues a credit card or debit card to a consumer in the State from charging any fees, except for interest allowed by law. HB 1579 was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2010  
mam/kdm

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