

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1254
Economic Matters

(Delegates Vaughn and Miller)

Finance

Credit Regulation - Mortgage Brokers - Charges

This bill authorizes a mortgage broker to recover from a borrower the actual cost of (1) a condominium document or subrogation agreement document obtained by the mortgage broker at the written request of the borrower; and (2) other goods or services required to complete a loan application that are authorized by the Commissioner of Financial Regulation and paid by the broker at the written request of the borrower to a third-party provider. Any mortgage broker who violates the bill's provisions must forfeit to the borrower the greater of three times the amount of the finder's fee collected or \$500.

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations. Any increase in consumer complaints received by the Office of the Commissioner of Financial Regulation can be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Current Law: Generally, a mortgage broker may charge a finder's fee of up to 8% of the amount of a mortgage loan or advance. If a broker obtains an additional loan on the same property more than once within a 24-month period, an additional finder's fee may only be collected on that portion of the subsequent loan that exceeds the initial loan. 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 is

prohibited from charging a finder's fee in any transaction in which the broker or an owner, part owner, partner, director, officer, or employee of the broker is the lender or a party affiliated with the lender.

Background: The Office of the Commissioner of Financial Regulation is responsible for licensing and regulating mortgage lenders, brokers, servicers and originators, sales finance companies, consumer loan companies, money transmitters, check cashers, installment loan lenders, credit reporting agencies, consumer debt collection agencies, and debt management service providers. The office also regulates and supervises State-chartered financial institutions including State-chartered banks, credit unions, and trust companies.

Chapter 4 of 2009 overhauled the State's mortgage lender and loan originator laws to conform to the requirements of the federal Secure and Fair Enforcement Mortgage Licensing Act of 2008. Chapter 4 altered the licensing requirements, initial license terms, and renewal terms for mortgage lenders and loan originators. The State law requires applicants and licensees to submit certain information and fees to the Nationwide Mortgage Licensing System and Registry and increases civil penalties for violations of State mortgage lender and loan originator laws.

Additional Information

Prior Introductions: None.

Cross File: SB 943 (Senator Pugh, *et al.*) - Finance.

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 8, 2010
mlm/kdm Revised - House Third Reader - March 31, 2010

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