

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 787

(Senator Pugh)

Finance

Economic Matters

Financial Institutions - Mortgage Lenders - Net Worth Requirements

This bill amends the Maryland Mortgage Lender Law to allow a specified applicant for a new or renewal mortgage lender's license who does not lend money to calculate an existing minimum net worth requirement using any other recognized comprehensive basis of accounting approved by the Commissioner of Financial Regulation in addition to generally accepted accounting principles (GAAP).

Fiscal Summary

State Effect: The bill does not directly affect State finances or operations.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: Potential minimal.

Analysis

Current Law: Under Chapters 7 and 8 of 2008, an applicant for a new or renewal mortgage lender's license or a current licensee must meet minimum net worth requirements in accordance with GAAP. The requirements range from \$25,000 if the applicant or licensee does not lend money, to \$250,000 if an applicant or licensee lent more than \$10 million in the 12 months prior to the application or renewal date. Verification of net worth is required, and a line of credit may only be used to satisfy up to 75% of the minimum net worth requirement. A licensee that acts solely as broker or servicer may not satisfy any portion of the minimum net worth requirement using a line of credit.

The Commissioner of Financial Regulation will accept a certified financial statement that sets forth the applicant or licensee's assets, liabilities, and net worth in accordance with GAAP as proof that an applicant or licensee complies with the minimum net worth requirements. The financial statement must be notarized and signed by the licensee (if the licensee is a sole proprietorship) or an authorized individual who has "control" of the licensee as defined under the Maryland Mortgage Lender Law. The individual signing the financial statement must affirm and certify, under the penalty of perjury, that based on the individual's knowledge, information, and belief that:

- the individual has reviewed the financial statement submitted to show the net worth of the licensee and the financial statement does not contain any untrue statement of a material fact, or omit to state a material fact to make the statement not misleading with respect to the period covered by the financial statement;
- the financial statement setting forth the licensee's net worth was computed according to GAAP; and
- the applicant or licensee meets the minimum net worth requirements set forth in statute.

The most common other recognized bases of accounting are cash and tax bases.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2010
ncs/ljm Revised - Senate Third Reader - March 18, 2010

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