

Chapter 254

(Senate Bill 546)

AN ACT concerning

Financial Institutions – Mortgage Lenders and Mortgage Loan Originators

FOR the purpose of providing that an applicant for a mortgage lender license or a mortgage loan originator license shall complete, sign, and submit an application in accordance with the process that the Commissioner of Financial Regulation requires; providing that the applicants shall provide certain information to the Commissioner; making certain mortgage lender and mortgage loan originator license fees nonrefundable; requiring a mortgage lender licensee to provide proof to the Commissioner of satisfying certain minimum net worth requirements within a certain time period; altering the initial license term and renewal period for a mortgage lender license; altering certain reporting requirements for mortgage lender licensees; requiring a mortgage lender who is exempt from certain licensing requirements to submit certain reports to the Nationwide Mortgage Licensing System and Registry on behalf of certain persons; altering the circumstances under which an individual is prohibited from acting as a mortgage loan originator under a certain name or for a certain employer; prohibiting an individual from acting as an affiliated insurance producer–mortgage loan originator under a certain name or for a certain employer unless the individual takes certain actions; requiring a certain mortgage loan originator licensee who ceases to be employed by a certain financial institution to notify the Commissioner within a certain time period; requiring a certain mortgage loan originator licensee's license to be placed into nonactive status under certain circumstances; providing that it is a violation of certain provisions of law to engage in any activity for which a certain mortgage loan originator license is required while the license is in nonactive status; requiring a certain mortgage loan originator license that is in nonactive status to remain in nonactive status until the licensee takes certain actions; authorizing the Commissioner to issue a certain mortgage loan originator license to an individual who is not employed by a certain financial institution under certain circumstances; repealing certain obsolete provisions of law; making certain stylistic and conforming changes; and generally relating to the regulation of mortgage lenders and mortgage loan originators.

BY repealing and reenacting, with amendments,

Article – Financial Institutions

Section 11–507(a), (b), and (d), 11–508.1, 11–511(a) and (b), 11–513.1, 11–603(c), 11–604(b) and (c), and 11–608(a)

Annotated Code of Maryland

(2011 Replacement Volume and 2011 Supplement)

BY repealing

Article – Financial Institutions

Section 11–603.1(l)

Annotated Code of Maryland

(2011 Replacement Volume and 2011 Supplement)

BY adding to

Article – Financial Institutions

Section 11–603.1(l) and (m)

Annotated Code of Maryland

(2011 Replacement Volume and 2011 Supplement)

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

Article – Financial Institutions

11–507.

(a) (1) To apply for a license, an applicant shall:

(I) [complete] COMPLETE, sign, and submit to the Commissioner an application made under oath [on] **IN** the form, **AND IN ACCORDANCE WITH THE PROCESS**, that the Commissioner requires; **AND**

(II) PROVIDE ALL INFORMATION THAT THE COMMISSIONER REQUESTS.

(2) The applicant shall comply with all conditions and provisions of the application for licensure and be issued a license before acting as a mortgage lender at a particular location.

(b) With each application, the applicant shall pay to the Commissioner the following fees:

(1) A nonrefundable investigation fee set by the Commissioner; and

(2) A **NONREFUNDABLE** license fee set by the Commissioner.

(d) For each license for which an applicant applies, the applicant shall:

(1) Submit a separate application;

(2) Pay a separate **NONREFUNDABLE** license fee;

(3) Pay any application processing fee or other fees that the Nationwide Mortgage Licensing System and Registry imposes in connection with the application;

(4) If applicable, pay the surcharge; and

(5) File a separate surety bond or other financial guaranty under § 11–508 of this subtitle.

11–508.1.

(a) An applicant for a new license or for the renewal of a license shall satisfy the Commissioner that the applicant or licensee has, and at all times will maintain, a minimum net worth computed according to generally accepted accounting principles or, with respect to an applicant or licensee described in item (1) of this subsection, any other recognized comprehensive basis of accounting approved by the Commissioner:

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

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

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

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

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

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

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

- (i) Cash on deposit with a bank or depository institution;
- (ii) A line of credit from a bank or depository institution;
- (iii) Other assets; or
- (iv) A combination of cash, a line of credit, or other assets.

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

- (i) The account balance;
- (ii) The type of account in which the funds are held; and
- (iii) That the funds are not encumbered or hypothecated in any

way.

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

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

(C) A LICENSEE SHALL PROVIDE TO THE COMMISSIONER PROOF OF SATISFYING MINIMUM NET WORTH REQUIREMENTS UNDER SUBSECTION (A) OF THIS SECTION WITHIN 90 DAYS AFTER THE LAST DAY OF THE LICENSEE'S MOST RECENT FISCAL YEAR.

11-511.

(a) Subject to any regulations the Commissioner adopts in connection with the transition to the Nationwide Mortgage Licensing System and Registry, an initial license term shall:

- (1) [Be for a maximum period of 1 year;]
- [(2)] Begin on the day the license is issued; and
- [(3)] **(2)** Expire on December 31 of the year [the]:

(I) THE license is issued, IF THE LICENSE IS ISSUED BEFORE NOVEMBER 1; OR

(II) SUCCEEDING THE YEAR THAT THE LICENSE IS ISSUED, IF THE LICENSE IS ISSUED ON OR AFTER NOVEMBER 1.

(b) At least [30] **60** days before its expiration, a license may be renewed if the licensee:

(1) Otherwise is entitled to be licensed;

(2) Pays to the Commissioner a **NONREFUNDABLE** renewal fee set by the Commissioner;

(3) Files a bond or bond continuation certificate for the amount required under § 11-508 of this subtitle; and

(4) Submits to the Commissioner:

(i) A renewal application on the form that the Commissioner requires; and

(ii) Satisfactory evidence of compliance with any continuing education requirements set by regulations adopted by the Commissioner.

11-513.1.

(A) A licensee shall submit to the Nationwide Mortgage Licensing System and Registry a **CALL** report [of condition] once each [calendar year] **QUARTER** on the date, in the form, and containing the information required by the Nationwide Mortgage Licensing System and Registry.

(B) A MORTGAGE LENDER WHO IS EXEMPT FROM LICENSING UNDER THIS SUBTITLE SHALL SUBMIT THE CALL REPORTS REQUIRED UNDER SUBSECTION (A) OF THIS SECTION ON BEHALF OF ITS MORTGAGE LOAN ORIGINATORS, EXCEPT FOR A MORTGAGE LOAN ORIGINATOR WHO IS EMPLOYED DIRECTLY BY THE EXEMPT MORTGAGE LENDER OR BY AN AFFILIATE OF THE EXEMPT MORTGAGE LENDER LICENSED UNDER SUBTITLE 6 OF THIS TITLE.

11-603.

(c) (1) The Commissioner shall include on each license:

(i) The name of the licensee;

(ii) The name of the licensee's employer; and

(iii) The unique identifier of the licensee if the licensee has been issued a unique identifier.

(2) An individual may not act as a mortgage loan originator under a name or for an employer that is different from the name and employer that appear on the license unless the licensee:

(i) Notifies the Commissioner in writing in advance of a change in the licensee's name or the licensee's employer;

(ii) Pays to the Commissioner a license amendment fee set by the Commissioner for each notice provided under this paragraph; **AND**

(iii) **[Returns to the Commissioner the licensee's license, or an affidavit stating that the license has been lost or destroyed; and**

(iv)] In the case of a new employer, **[submits to the Commissioner a notarized statement from the licensee's new employer]** **AMENDS THE SPONSORSHIP INFORMATION ON THE NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY BY SUBMITTING THE AMENDMENT, IN THE FORM REQUIRED BY THE COMMISSIONER, TO INDICATE** that the licensee is an employee of the new employer.

(3) If a licensee ceases to be employed by a licensed mortgage lender or by a person exempt from licensing as a mortgage lender, the licensee shall notify the Commissioner within 10 business days, and the license shall be placed into nonactive status.

(4) During the time that a license is in nonactive status, it is a violation of this subtitle for the licensee to engage in any activity for which a license is required under this subtitle.

(5) The license shall remain in nonactive status until the licensee:

(i) Notifies the Commissioner in writing that the licensee has obtained employment with a licensed mortgage lender or with a person exempt from licensing as a mortgage lender; and

(ii) Has complied with the requirements set forth in paragraph (2) of this subsection.

11-603.1.

[(l) An affiliated insurance producer–mortgage loan originator who holds a mortgage lender license under § 11–506(c) of this title on July 1, 2009, may continue to originate mortgages under a valid mortgage lender license until December 31, 2009, provided that the affiliated insurance producer–mortgage loan originator takes the actions necessary to participate in the Nationwide Mortgage Licensing System and Registry, as required by the Commissioner.]

(L) (1) AN INDIVIDUAL MAY NOT ACT AS AN AFFILIATED INSURANCE PRODUCER–MORTGAGE LOAN ORIGINATOR UNDER A NAME OR FOR AN EMPLOYER THAT IS DIFFERENT FROM THE NAME AND EMPLOYER THAT APPEAR ON THE LICENSE UNLESS THE LICENSEE:

(I) NOTIFIES THE COMMISSIONER IN WRITING IN ADVANCE OF A CHANGE IN THE LICENSEE’S NAME OR THE LICENSEE’S EMPLOYER;

(II) PAYS TO THE COMMISSIONER A LICENSE AMENDMENT FEE SET BY THE COMMISSIONER FOR EACH NOTICE PROVIDED UNDER ITEM (I) THIS PARAGRAPH; AND

(III) IN THE CASE OF A NEW EMPLOYER, AMENDS THE SPONSORSHIP INFORMATION ON THE NATIONWIDE MORTGAGE LICENSING SYSTEM AND REGISTRY BY SUBMITTING THE AMENDMENT IN THE FORM REQUIRED BY THE COMMISSIONER TO INDICATE THAT THE LICENSEE IS AN EMPLOYEE OF THE NEW EMPLOYER.

(2) IF A LICENSEE CEASES TO BE EMPLOYED BY A FINANCIAL INSTITUTION APPROVED BY THE COMMISSIONER UNDER SUBSECTION (B) OF THIS SECTION, THE LICENSEE SHALL NOTIFY THE COMMISSIONER WITHIN 10 BUSINESS DAYS, AND THE LICENSE SHALL BE PLACED INTO NONACTIVE STATUS.

(3) DURING THE TIME THAT A LICENSE IS IN NONACTIVE STATUS, IT IS A VIOLATION OF THIS SUBTITLE FOR THE LICENSEE TO ENGAGE IN ANY ACTIVITY FOR WHICH A LICENSE IS REQUIRED UNDER THIS SUBTITLE.

(4) THE LICENSE SHALL REMAIN IN NONACTIVE STATUS UNTIL THE LICENSEE:

(I) NOTIFIES THE COMMISSIONER IN WRITING THAT THE LICENSEE HAS OBTAINED EMPLOYMENT WITH A FINANCIAL INSTITUTION THAT IS APPROVED BY THE COMMISSIONER UNDER SUBSECTION (B) OF THIS SECTION; AND

(II) HAS COMPLIED WITH THE REQUIREMENTS SET FORTH IN PARAGRAPH (1) OF THIS SUBSECTION.

(M) THE COMMISSIONER MAY ISSUE A LICENSE UNDER THIS SUBTITLE TO AN INDIVIDUAL WHO IS NOT EMPLOYED BY A FINANCIAL INSTITUTION APPROVED BY THE COMMISSIONER UNDER SUBSECTION (B) OF THIS SECTION, PROVIDED THAT THE LICENSE IS PLACED INTO AND REMAINS IN NONACTIVE STATUS UNTIL THE LICENSEE:

(1) NOTIFIES THE COMMISSIONER IN WRITING THAT THE LICENSEE HAS OBTAINED EMPLOYMENT WITH A FINANCIAL INSTITUTION APPROVED BY THE COMMISSIONER UNDER SUBSECTION (B) OF THIS SECTION; AND

(2) HAS COMPLIED WITH THE REQUIREMENTS SET FORTH IN SUBSECTION (L)(1) OF THIS SECTION.

11-604.

(b) (1) To apply for a license, an applicant shall [complete]:

(I) COMPLETE, sign, and submit to the Commissioner an application made under oath [on] IN the form, AND IN ACCORDANCE WITH THE PROCESS, that the Commissioner requires; AND

(II) PROVIDE ALL INFORMATION AS REQUESTED BY THE COMMISSIONER.

(2) The applicant shall comply with all conditions and provisions of the application for a license.

(c) With each application, the applicant shall pay to the Commissioner:

(1) A nonrefundable investigation fee set by the Commissioner; and

(2) A **NONREFUNDABLE** license fee set by the Commissioner.

11-608.

(a) If the Commissioner denies an application, the Commissioner:

(1) Within 10 days, shall notify the applicant, in writing, of the denial;

AND

(2) [Shall refund the license fee; and

(3)] Shall keep the **LICENSE FEE AND THE** investigation fee.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2012.

Approved by the Governor, May 2, 2012.