

# HOUSE BILL 61

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By: **Chair, Economic Matters Committee (By Request – Departmental – Labor, Licensing and Regulation)**

Introduced and read first time: January 17, 2019

Assigned to: Economic Matters

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 26, 2019

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

1 AN ACT concerning

2 **Financial Institutions – Commissioner of Financial Regulation – Mortgage**  
3 **Lenders, Loan Servicers, and Loan Originators**

4 FOR the purpose of altering certain net worth requirements for certain applicants and  
5 licensees for certain mortgage lending, loan servicing, and loan origination activities;  
6 establishing certain net worth requirements for certain applicants and licensees  
7 acting as mortgage loan servicers for government–sponsored enterprises and other  
8 entities; authorizing the use of an irrevocable letter of credit from certain institutions  
9 to satisfy certain minimum net worth requirements under certain circumstances;  
10 providing that certain lines of credit may be used toward satisfying certain minimum  
11 net worth requirements under certain circumstances; prohibiting the use of a  
12 working capital line of credit toward satisfying certain minimum net worth  
13 requirements by certain applicants and licensees; requiring that an original  
14 irrevocable letter of credit be submitted to the Commissioner of Financial Regulation  
15 under certain circumstances; prohibiting revocation of an irrevocable letter of credit  
16 without prior written consent by the Commissioner; removing the requirement to  
17 reapply for a license by a licensee that fails to request approval of a change in location  
18 in a timely manner; extending the mandatory examination cycle period for certain  
19 licensees; altering certain provisions on the expiration of mortgage loan originator  
20 licenses; making stylistic changes; and generally relating to mortgage lenders and  
21 mortgage originators.

22 BY repealing and reenacting, without amendments,

23 Article – Financial Institutions

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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 Section 1–101(a) and (q)  
2 Annotated Code of Maryland  
3 (2011 Replacement Volume and 2018 Supplement)

4 BY repealing and reenacting, with amendments,  
5 Article – Financial Institutions  
6 Section 11–508.1(a) and (b), 11–512(c), 11–513(c)(2), 11–513.1(a), 11–515(a)(2), and  
7 11–609  
8 Annotated Code of Maryland  
9 (2011 Replacement Volume and 2018 Supplement)

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

12 **Article – Financial Institutions**

13 1–101.

14 (a) In this article, unless the context clearly requires otherwise, the following  
15 words have the meanings indicated.

16 (q) “Nationwide Mortgage Licensing System and Registry” or “NMLS” means a  
17 multistate uniform licensing system developed and maintained by the Conference of State  
18 Bank Supervisors, or by a subsidiary or an affiliate of the Conference of State Bank  
19 Supervisors, that may be used for the licensing and registration of persons required to be  
20 licensed or registered under this article or the Commercial Law Article.

21 11–508.1.

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

27 (1) In the case of an applicant **THAT APPLIES TO ACT AS A MORTGAGE**  
28 **BROKER** or A licensee that [does not lend money secured by a dwelling or residential real  
29 estate] **ACTS AS A MORTGAGE BROKER**, in the amount of \$25,000; [and]

30 **(2) IN THE CASE OF AN APPLICANT THAT APPLIES TO ACT AS A**  
31 **MORTGAGE LOAN SERVICER THAT OPERATES AS AN APPROVED SERVICER FOR A**  
32 **GOVERNMENT–SPONSORED ENTERPRISE (GSE) OR A LICENSEE THAT ACTS AS A**  
33 **MORTGAGE SERVICER AND OPERATES AS AN APPROVED SERVICER FOR A GSE, IN**  
34 **THE LARGEST AMOUNT REQUIRED OF THE APPLICANT OR LICENSEE BY THE**  
35 **STANDARDS OF THE GSE;**

1           **(3) IN THE CASE OF AN APPLICANT THAT APPLIES TO ACT AS A**  
2 **MORTGAGE SERVICER THAT DOES NOT OPERATE AS AN APPROVED SERVICER FOR A**  
3 **GSE OR A LICENSEE THAT ACTS AS A MORTGAGE SERVICER THAT DOES NOT**  
4 **OPERATE AS AN APPROVED SERVICER FOR A GSE:**

5                   **(I) \$100,000, IF THE UNPAID PRINCIPAL BALANCE OF THE**  
6 **ENTIRE SERVICING PORTFOLIO IS LESS THAN OR EQUAL TO \$50,000,000;**

7                   **(II) \$250,000, IF THE UNPAID PRINCIPAL OF THE ENTIRE**  
8 **SERVICING PORTFOLIO IS GREATER THAN \$50,000,000 BUT LESS THAN OR EQUAL**  
9 **TO \$100,000,000;**

10                   **(III) \$500,000, IF THE UNPAID PRINCIPAL BALANCE OF THE**  
11 **ENTIRE SERVICING PORTFOLIO IS GREATER THAN \$100,000,000 BUT LESS THAN OR**  
12 **EQUAL TO \$250,000,000; OR**

13                   **(IV) \$1,000,000, IF THE UNPAID PRINCIPAL BALANCE OF THE**  
14 **ENTIRE SERVICING PORTFOLIO IS GREATER THAN \$250,000,000; AND**

15           **[(2)] (4) In the case of an applicant THAT APPLIES TO LEND MONEY**  
16 **SECURED BY A DWELLING OR RESIDENTIAL REAL ESTATE** or A licensee that lends  
17 money secured by a dwelling or residential real estate, in the amount of:

18                   (i) \$25,000, if the applicant or licensee, in the 12 months prior to the  
19 license application or the renewal application, lent in the aggregate not more than  
20 \$1,000,000 secured by a dwelling or residential real estate;

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

24                   (iii) \$100,000, if the applicant or licensee, in the 12 months prior to  
25 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 estate;  
27 and

28                   (iv) \$250,000, if the applicant or licensee, in the 12 months prior to  
29 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), AND (4) of this subsection, the  
32 minimum net worth requirements under subsection [(a)(2)] (A) of this section may be  
33 satisfied by the applicant or licensee having:

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

1 (ii) A **WORKING CAPITAL** line of credit from a bank or depository  
2 institution;

3 (iii) **AN IRREVOCABLE LETTER OF CREDIT FROM A BANK OR**  
4 **DEPOSITORY INSTITUTION;**

5 [(iii)] **(IV)** Other assets; or

6 [(iv)] **(V)** A combination of cash, a **WORKING CAPITAL** line of  
7 credit, **AN IRREVOCABLE LETTER OF CREDIT**, or other assets.

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

11 (i) The account balance;

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

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

14 (3) (i) If a **WORKING CAPITAL** line of credit is used toward satisfying  
15 the minimum net worth requirements under subsection [(a)(2)] **(A)** of this section, the  
16 applicant or licensee shall submit to the Commissioner a copy of the line of credit agreement  
17 and the promissory note, **AND, SUBJECT TO ~~PARAGRAPHS SUBPARAGRAPHS (II) AND~~**  
18 **(III) OF THIS SUBSECTION PARAGRAPH, A RESERVATION OF THE WORKING CAPITAL**  
19 **LINE OF CREDIT IN FAVOR OF THE COMMISSIONER BY THE BANK OR DEPOSITORY**  
20 **INSTITUTION.**

21 (ii) A **WORKING CAPITAL** line of credit may not be used toward  
22 satisfying more than 75% of the minimum net worth requirements under subsection [(a)(2)]  
23 **(A)** of this section.

24 (iii) **A WORKING CAPITAL LINE OF CREDIT MAY NOT BE USED**  
25 **TOWARD SATISFYING THE MINIMUM NET WORTH REQUIREMENTS UNDER**  
26 **SUBSECTION (A)(2) AND (3) OF THIS SECTION.**

27 (4) (i) **IF AN IRREVOCABLE LETTER OF CREDIT IS USED TOWARD**  
28 **SATISFYING THE MINIMUM NET WORTH REQUIREMENTS UNDER SUBSECTION (A) OF**  
29 **THIS SECTION, THE APPLICANT OR LICENSEE SHALL SUBMIT TO THE**  
30 **COMMISSIONER THE ORIGINAL IRREVOCABLE LETTER OF CREDIT.**

31 (ii) **AN IRREVOCABLE LETTER OF CREDIT MAY NOT:**

1                   1.    **TERMINATE PRIOR TO THE EXPIRATION OF A**  
2 **LICENSE; OR**

3                   2.    **BE MODIFIED OR REVOKED WITHOUT THE PRIOR**  
4 **WRITTEN CONSENT OF THE COMMISSIONER.**

5 11-512.

6           (c)    In addition to any sanctions which may be imposed under this subtitle by the  
7 Commissioner, a licensee who fails to [timely] provide **IN A TIMELY MANNER** the notice  
8 required under subsection (a)(1) or (b)(1) of this section shall:

9                   (1)   For each such failure pay to the Commissioner a surcharge in the  
10 amount of \$500; and

11                   (2)   [File] **FOR A LICENSEE WHO FAILS TO PROVIDE IN A TIMELY**  
12 **MANNER THE NOTICE REQUIRED UNDER SUBSECTION (B)(1) OF THIS SECTION, FILE**  
13 with the Commissioner an application for a new license, together with all applicable  
14 application and investigation fees.

15 11-513.

16           (c)    Notwithstanding subsection (a) of this section, on approval of the  
17 Commissioner, a licensee need not keep at the licensee's place of business any books and  
18 records otherwise required by the Commissioner under subsection (a) of this section if the  
19 licensee:

20                   (2)   Retains the records for at least [25] **61** months in a storage facility  
21 disclosed to the Commissioner.

22 11-513.1.

23           (a)    A licensee shall submit to [the Nationwide Mortgage Licensing System and  
24 Registry] **NMLS** a call report once each quarter on the date, in the form, and containing  
25 the information required by [the Nationwide Mortgage Licensing System and Registry]  
26 **NMLS**.

27 11-515.

28           (a)    (2)   The schedule established by the Commissioner under paragraph (1)(i)  
29 of this subsection shall:

30                   (i)   Take into account:

31                           1.   The length of time the licensee has been engaged in  
32 business as a mortgage lender;



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

3 (ii) Satisfactory evidence of compliance with any continuing  
4 education requirements under this subtitle or set by regulations adopted by the  
5 Commissioner.

6 [(c) Subject to any regulations the Commissioner adopts in connection with the  
7 transition to the Nationwide Mortgage Licensing System and Registry, a renewal term  
8 shall:

9 (1) Be for a maximum period of 1 year;

10 (2) Begin on January 1 of each year after the initial term; and

11 (3) Expire on December 31 of the year the renewal term begins.]

12 [(d) (C) In addition to the license renewal fee required under subsection (b)(2)  
13 of this section, an applicant for a license renewal shall pay to [the Nationwide Mortgage  
14 Licensing System and Registry] **NMLS** any fees that [the Nationwide Mortgage Licensing  
15 System and Registry] **NMLS** imposes in connection with the renewal application.

16 [(e) (D) Notwithstanding anything to the contrary in this section or § 11–605 of  
17 this subtitle, an applicant for renewal of a license who is duly licensed under this subtitle  
18 on July 1, 2009:

19 (1) May comply with the following requirements for renewal of the license  
20 on or before December 31, 2010:

21 (i) The fingerprinting and criminal history report requirement  
22 under § 11–604 of this subtitle;

23 (ii) The surety bond coverage requirement under § 11–619 of this  
24 subtitle; and

25 (iii) The prelicensing testing requirement under § 11–606.1 of this  
26 subtitle; and

27 (2) Is deemed to have satisfied the prelicensing educational course  
28 requirement under § 11–606 of this subtitle if the applicant completed 20 hours of  
29 continuing education courses approved by the Commissioner within 5 years prior to the  
30 expiration date of the applicant's current license.

1            **[(f)] (E)**        If a license is surrendered voluntarily or is suspended or revoked, the  
 2 Commissioner may not refund any part of the license fee regardless of the time remaining  
 3 in the license term.

4            SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 5 October 1, 2019.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.