

HOUSE BILL 1516

I1

EMERGENCY BILL
ENROLLED BILL

(5lr3567)

— *Economic Matters/Finance* —

Introduced by **Delegate Queen**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Financial Institutions – Consumer Credit – Application of Licensing**
3 **Requirements**
4 **(Maryland Secondary Market Stability Act of 2025)**

5 FOR the purpose of providing that certain provisions of law governing the licensing of
6 providers of certain financial services in the State do not apply to a certain ~~person~~
7 ~~that acquires or is assigned a certain mortgage, mortgage loan, or installment loan~~
8 ~~under certain circumstances~~ trust that acquires or is assigned a certain mortgage
9 loan under certain circumstances; establishing the Maryland Licensing Workgroup
10 to study and make recommendations on licensing requirements for persons that
11 provide financial services in the State; and generally relating to consumer credit
12 lending licensing requirements and the Maryland Licensing Workgroup.

13 BY repealing and reenacting, without amendments,
14 Article – Financial Institutions

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.

Italics indicate opposite chamber/conference committee amendments.



1 Section 1–101(a) and (n), 11–301(a) and (b), and 11–501(a) and (k) through (m)
 2 Annotated Code of Maryland
 3 (2020 Replacement Volume and 2024 Supplement)

4 BY adding to
 5 Article – Financial Institutions
 6 Section ~~11–102~~ 11–501(p) and (u)
 7 Annotated Code of Maryland
 8 (2020 Replacement Volume and 2024 Supplement)

9 BY repealing and reenacting, with amendments,
 10 Article – Financial Institutions
 11 Section 11–302(b), 11–501(p) through (s), and 11–502(b)
 12 Annotated Code of Maryland
 13 (2020 Replacement Volume and 2024 Supplement)

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

16 **Article – Financial Institutions**

17 1–101.

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

20 (n) “Mortgage” includes a deed of trust that secures a debt or the performance of
 21 an obligation.

22 ~~11–102.~~

23 ~~(A) IN THIS SECTION, “INSTALLMENT LOAN” HAS THE MEANING STATED IN~~
 24 ~~§ 11–301 OF THIS TITLE.~~

25 ~~(B) EXCEPT FOR § 11–219 OF THIS TITLE, THIS TITLE DOES NOT APPLY TO A~~
 26 ~~PERSON THAT ACQUIRES OR IS ASSIGNED IN WHOLE OR IN PART:~~

27 ~~(1) A MORTGAGE, IF THE PERSON DOES NOT OTHERWISE MAKE~~
 28 ~~MORTGAGES;~~

29 ~~(2) A MORTGAGE LOAN, AS DEFINED IN § 11–501 OF THIS TITLE, IF~~
 30 ~~THE PERSON DOES NOT OTHERWISE ENGAGE IN THE MORTGAGE LENDING~~
 31 ~~BUSINESS, AS DEFINED IN § 11–501 OF THIS TITLE; OR~~

32 ~~(3) AN INSTALLMENT LOAN, IF THE PERSON:~~

1 ~~(I) RELIES ON ANOTHER PERSON TO SERVICE OR COLLECT ON~~
 2 ~~THE INSTALLMENT LOAN; AND~~

3 ~~(II) DOES NOT OTHERWISE MAKE INSTALLMENT LOANS.~~

4 ~~(C) THIS SECTION MAY NOT BE CONSTRUED TO ALTER THE DEFINITION OF~~
 5 ~~“STUDENT LOAN SERVICER”, AS DEFINED IN § 2-104.1 OF THIS ARTICLE.~~

6 11-301.

7 (a) In this subtitle the following words have the meanings indicated.

8 (b) “Installment loan” means a loan or extension of credit made for consideration
 9 under § 12-103(a)(3) or (c) or Title 12, Subtitle 9, or Subtitle 10 of the Commercial Law
 10 Article.

11 11-302.

12 ***(b) The licensing provisions of this subtitle do not apply to any of the following***
 13 ***persons, if organized under the laws of this State or otherwise qualified to do business in***
 14 ***this State:***

15 ***(1) A banking institution;***

16 ***(2) A national banking association;***

17 ***(3) A federal or State savings and loan association;***

18 ***(4) A federal or State credit union;***

19 ***(5) A licensee under Subtitle 2 of this title;***

20 ***(6) A seller of goods or services or both not engaged in:***

21 ***(i) Making loans; or***

22 ***(ii) Acting as a credit services business as defined under Title 14,***
 23 ***Subtitle 19 of the Commercial Law Article;***

24 ***(7) A licensee under Subtitle 5 of this title engaged solely in a mortgage***
 25 ***lending business as defined in that subtitle; or***

26 ***(8) An entity exempt from licensing as a mortgage lender under [§***
 27 ***11-502(b)(10)] § 11-502(B)(3), (10), OR (13) of this title.***

28 11-501.

1 (a) In this subtitle the following words have the meanings indicated.

2 (k) (1) “Mortgage lender” means any person who:

3 (i) Is a mortgage broker;

4 (ii) Makes a mortgage loan to any person; or

5 (iii) Is a mortgage servicer.

6 (2) “Mortgage lender” does not include:

7 (i) A financial institution that accepts deposits and is regulated
8 under Title 3, Title 4, Title 5, or Title 6 of this article;

9 (ii) The Federal Home Loan Mortgage Corporation;

10 (iii) The Federal National Mortgage Association;

11 (iv) The Government National Mortgage Association;

12 (v) Any person engaged exclusively in the acquisition of all or any
13 portion of a mortgage loan under any federal, State, or local governmental program of
14 mortgage loan purchases; or

15 (vi) An affiliated insurance producer–mortgage loan originator
16 licensed under § 11–603.1 of this title.

17 (l) (1) “Mortgage lending business” means the activities set forth in the
18 definition of “mortgage lender” in subsection (k) of this section which require that person
19 to be licensed under this subtitle.

20 (2) “Mortgage lending business” includes the making or procuring of
21 mortgage loans secured by a dwelling or residential real estate located outside Maryland.

22 (m) (1) “Mortgage loan” means any loan primarily for personal, family, or
23 household use that is secured by a mortgage, deed of trust, or other equivalent consensual
24 security interest on a dwelling or residential real estate on which a dwelling is constructed
25 or intended to be constructed.

26 (2) “Mortgage loan” includes a loan in which funds are advanced through a
27 shared appreciation agreement.

28 ***(P) “PASSIVE TRUST” MEANS A TRUST THAT:***

1 (1) ACQUIRES OR IS ASSIGNED MORTGAGE LOANS IN WHOLE OR IN
2 PART;

3 (2) DOES NOT MAKE MORTGAGE LOANS;

4 (3) IS NOT A MORTGAGE BROKER OR A MORTGAGE SERVICER; AND

5 (4) IS NOT ENGAGED IN THE SERVICING OF MORTGAGE LOANS, WHICH
6 DOES NOT INCLUDE THE ACT OF TRANSMITTING OR DIRECTING PAYMENTS RECEIVED
7 BY A MORTGAGE SERVICER.

8 ~~[(p)]~~ (Q) “Person” means a natural person, corporation, limited liability
9 company, partnership, business trust, statutory trust, or association.

10 ~~[(q)]~~ (R) “Residential real estate” means any owner-occupied real property
11 located in Maryland on which a dwelling is constructed or intended to be constructed.

12 ~~[(r)]~~ (S) “Shared appreciation agreement” means a writing evidencing a
13 transaction or any option, future, or any other derivative between a person and a consumer
14 where the consumer receives money or any other item of value in exchange for an interest or
15 future interest in a dwelling or residential real estate, or a future obligation to repay a sum
16 on the occurrence of an event such as:

17 (1) The transfer of ownership;

18 (2) A repayment maturity date;

19 (3) The death of the consumer; or

20 (4) Any other event contemplated by the writing.

21 ~~[(s)]~~ (T) “State” means the State of Maryland.

22 (U) “TRUST” INCLUDES ANY TRUST ESTABLISHED UNDER THE LAWS OF THE
23 STATE OR ANY OTHER STATE.

24 11-502.

25 (b) The provisions of this subtitle do not apply to:

26 (1) Any bank, trust company, savings bank, savings and loan association,
27 or credit union incorporated or chartered under the laws of this State or the United States
28 or any other-state bank having a branch in this State;

29 (2) Any insurance company authorized to do business in the State;

1 (3) Any corporate instrumentality of the Government of the United States
2 including:

3 (i) The Federal Home Loan Mortgage Corporation;

4 (ii) The Federal National Mortgage Association; [and]

5 (iii) The Government National Mortgage Association; AND

6 **(IV) A TRUST ESTABLISHED BY ANY CORPORATE**
7 **INSTRUMENTALITY OF THE GOVERNMENT OF THE UNITED STATES FOR THE**
8 **PURPOSE OF ACQUIRING MORTGAGE LOANS;**

9 (4) Any person who takes back a deferred purchase money mortgage in
10 connection with the sale of:

11 (i) A dwelling or residential real estate owned by, and titled in the
12 name of, that person; or

13 (ii) A new residential dwelling that the person built;

14 (5) A nonprofit charitable organization registered with the Maryland
15 Secretary of State or a nonprofit religious organization;

16 (6) An employer making a mortgage loan to an employee;

17 (7) A person making a mortgage loan to a borrower who is the person's
18 spouse, child, child's spouse, parent, sibling, grandparent, grandchild, or grandchild's
19 spouse;

20 (8) A real estate broker who:

21 (i) Is licensed in the State; and

22 (ii) Makes a mortgage loan providing a repayment schedule of 2 years
23 or less to assist the borrower in the purchase or sale of a dwelling or residential real estate
24 through the broker;

25 (9) A home improvement contractor licensed under the Maryland Home
26 Improvement Law who assigns a mortgage loan without recourse within 30 days after
27 completion of the contract to a person licensed under this subtitle or to an institution that is
28 exempt from this subtitle under item (1), (2), or (10) of this subsection;

29 (10) A subsidiary or affiliate of an institution described in subsection (c) of
30 this section, which subsidiary or affiliate:

1 (i) Is subject to audit or examination by a regulatory body or agency
 2 of this State or the state where the subsidiary or affiliate maintains its principal office; and

3 (ii) Files with the Commissioner, prior to making mortgage loans,
 4 information sufficient to identify:

5 1. The correct corporate name of the subsidiary or affiliate;

6 2. An address and telephone number of a contact person for
 7 the subsidiary or affiliate;

8 3. A resident agent; and

9 4. Any additional information considered necessary by the
 10 Commissioner for protection of the public;

11 (11) Any employee benefit plan qualified under Internal Revenue Code § 401
 12 or persons acting as fiduciaries with respect to such a plan, making mortgage loans solely
 13 to plan participants from plan assets; [or]

14 (12) Employees acting within the scope of their employment with:

15 (i) A licensed mortgage lender; or

16 (ii) A person who is exempt from licensure under this subtitle; OR

17 **(13) A PASSIVE TRUST.**

18 SECTION 2. AND BE IT FURTHER ENACTED, That:

19 (a) There is a Maryland Licensing Workgroup.

20 (b) The Workgroup consists of the following members:

21 (1) the Commissioner of Financial Regulation, or the Commissioner's
 22 designee;

23 (2) the following members jointly appointed by the President of the Senate
 24 and the Speaker of the House:

25 (i) ~~one representative~~ three representatives of a consumer advocacy
 26 organization with general knowledge about financial services, lending services, capital
 27 markets, and structured finance;

28 (ii) one representative of a banking institution operating in the
 29 State;

1 (iii) one representative of a credit union operating in the State;

2 (iv) one representative of a nonbank mortgage business operating in
3 the State; and

4 (v) one member with expertise in:

5 1. State laws and regulations that impact the chartering,
6 licensing, and supervision of the lending industry within the State; and

7 2. financial products and practices that impact consumers;
8 and

9 (3) the following members appointed by the Governor:

10 (i) one member who has general knowledge about financial services,
11 lending services, capital markets, and structured finance; and

12 (ii) one member of the public.

13 (c) The Commissioner of Financial Regulation, or the Commissioner's designee,
14 shall serve as the chair of the Workgroup.

15 (d) The Office of Financial Regulation shall provide staff for the Workgroup.

16 (e) A member of the Workgroup:

17 (1) may not receive compensation as a member of the Workgroup; but

18 (2) is entitled to reimbursement for expenses under the Standard State
19 Travel Regulations, as provided in the State budget.

20 (f) The Workgroup shall:

21 (1) subject to subsection (g) of this section, study:

22 (i) all licensing statutes and regulations adopted under those
23 statutes concerning the provision of financial services in the State;

24 (ii) the need for and the efficacy of the existing licensing and
25 registration system for actively licensed persons who provide financial services in the State;
26 and

27 (iii) whether there is any benefit to expanding existing licensing or
28 registration systems to persons not already subject to those licensing requirements; and

1 (2) make recommendations regarding:

2 (i) the licensing and registration system for actively licensed
3 persons who provide financial services in the State; and

4 (ii) the expansion of the existing licensing or registration systems to
5 persons not already subject to those licensing requirements.

6 (g) In conducting the study required under subsection (f) of this section, the
7 Workgroup shall, at a minimum, consider the potential impacts, costs, and benefits of its
8 recommendations on:

9 (1) residents of the State;

10 (2) persons facilitating, brokering, making, servicing, or acquiring loans in
11 the State;

12 (3) the availability of credit in the State;

13 (4) the cost of credit in the State compared to other states; and

14 (5) the capital markets, including the volume of secondary market
15 transactions.

16 (h) On or before December 31, 2025, the Workgroup shall report its findings and
17 recommendations to the Governor and, in accordance with § 2-1257 of the State
18 Government Article, the General Assembly.

19 SECTION 3. AND BE IT FURTHER ENACTED, That the intent of Section 1 of this
20 Act is to clarify existing exemptions under State law.

21 SECTION 4. AND BE IT FURTHER ENACTED, That this Act is an emergency
22 measure, is necessary for the immediate preservation of the public health or safety, has
23 been passed by a ye and nay vote supported by three-fifths of all the members elected to
24 each of the two Houses of the General Assembly, and shall take effect from the date it is
25 enacted. Section 2 of this Act shall remain effective through June 30, 2026, and, at the end
26 of June 30, 2026, Section 2 of this Act, with no further action required by the General
27 Assembly, shall be abrogated and of no further force and effect.