

SENATE BILL 689

I1, D4, N1

5lr1113
CF 5lr1858

By: **Senator Gile**

Introduced and read first time: January 26, 2025

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Conventional Home Mortgage Loans – Assumption and**
3 **Required Disclosures**

4 FOR the purpose of requiring certain entities to include a certain provision in certain
5 conventional home mortgage loans authorizing a certain borrower to purchase the
6 property interest of a certain borrower in connection with a decree of absolute divorce
7 under certain circumstances; requiring certain entities to disclose a certain provision
8 in writing to a loan applicant prior to the completion of the loan application; applying
9 certain provisions of this Act retroactively; and generally relating to the assumption
10 of conventional home mortgage loans.

11 BY adding to
12 Article – Financial Institutions
13 Section 5–514, 6–606.1, 11–501(b–1), and 11–522
14 Annotated Code of Maryland
15 (2020 Replacement Volume and 2024 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article – Financial Institutions
18 Section 6–606
19 Annotated Code of Maryland
20 (2020 Replacement Volume and 2024 Supplement)

21 BY repealing and reenacting, without amendments,
22 Article – Financial Institutions
23 Section 11–501(a), (c), (k), (l), (n), and (r) and 11–601(a) and (q)
24 Annotated Code of Maryland
25 (2020 Replacement Volume and 2024 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Financial Institutions

1
2 5–514.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
4 INDICATED.

5 (2) “CONVENTIONAL HOME MORTGAGE LOAN” HAS THE MEANING
6 STATED IN § 11–501 OF THIS ARTICLE.

7 (3) “DWELLING” HAS THE MEANING STATED IN § 11–501 OF THIS
8 ARTICLE.

9 (4) “SHARED APPRECIATION AGREEMENT” HAS THE MEANING
10 STATED IN § 11–501 OF THIS ARTICLE.

11 (B) (1) THIS SUBSECTION APPLIES ONLY TO A CONVENTIONAL HOME
12 MORTGAGE LOAN THAT IS NOT ALREADY REQUIRED BY LAW OR REGULATION BY THE
13 STATE OR FEDERAL GOVERNMENT TO BE ASSUMABLE IN CONNECTION WITH THE
14 GRANTING OF ABSOLUTE DIVORCE.

15 (2) A BANKING INSTITUTION SHALL INCLUDE IN ANY CONVENTIONAL
16 HOME MORTGAGE LOAN A PROVISION AUTHORIZING ANY OF THE EXISTING
17 BORROWERS TO PURCHASE THE PROPERTY INTEREST OF ANOTHER BORROWER ON
18 THE LOAN BY ASSUMING THE SELLER’S PORTION OF THE MORTGAGE IF:

19 (I) THE ASSUMPTION IS IN CONNECTION WITH THE GRANTING
20 OF A DECREE OF ABSOLUTE DIVORCE; AND

21 (II) THE BANKING INSTITUTION DETERMINES THAT THE
22 ASSUMING BORROWER QUALIFIES FOR THE LOAN.

23 (C) A BANKING INSTITUTION SHALL DISCLOSE AN ASSUMPTION PROVISION
24 IN ANY CONVENTIONAL HOME MORTGAGE LOAN IN WRITING TO A LOAN APPLICANT
25 BEFORE THE COMPLETION OF THE LOAN APPLICATION.

26 6–606.

27 (a) [A] SUBJECT TO § 6–606.1 OF THIS SUBTITLE, A credit union may make a
28 loan to a member that is secured by real or leasehold property in accordance with written
29 real estate lending policies established by the board as provided in this section.

30 (b) A loan under this section shall be:

1 (1) Secured by a deed of trust or mortgage on real or leasehold property;
2 and

3 (2) Amortized over a period of 30 years or less.

4 (c) The Commissioner may review the lending policies of the credit union and
5 order changes.

6 (d) (1) This subsection does not apply to an extension of credit or loan made by
7 a credit union on or after October 1, 1994.

8 (2) A loan under this section that is secured by a first mortgage may be
9 made at any rate of interest that does not exceed the rate authorized by Title 12, Subtitle
10 1 of the Commercial Law Article for mortgage loans.

11 (3) A loan under this section that is secured by a second mortgage may be
12 made at any rate of interest that does not exceed the rate authorized by Title 12, Subtitle
13 4 of the Commercial Law Article.

14 **6-606.1.**

15 (A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
16 **INDICATED.**

17 (2) **“CONVENTIONAL HOME MORTGAGE LOAN” HAS THE MEANING**
18 **STATED IN § 11-501 OF THIS ARTICLE.**

19 (3) **“DWELLING” HAS THE MEANING STATED IN § 11-501 OF THIS**
20 **ARTICLE.**

21 (4) **“SHARED APPRECIATION AGREEMENT” HAS THE MEANING**
22 **STATED IN § 11-501 OF THIS ARTICLE.**

23 (B) (1) **THIS SUBSECTION APPLIES ONLY TO A CONVENTIONAL HOME**
24 **MORTGAGE LOAN THAT IS NOT ALREADY REQUIRED BY LAW OR REGULATION BY THE**
25 **STATE OR FEDERAL GOVERNMENT TO BE ASSUMABLE IN CONNECTION WITH THE**
26 **GRANTING OF ABSOLUTE DIVORCE.**

27 (2) **A CREDIT UNION SHALL INCLUDE IN ANY CONVENTIONAL HOME**
28 **MORTGAGE LOAN A PROVISION AUTHORIZING ANY OF THE EXISTING BORROWERS TO**
29 **PURCHASE THE PROPERTY INTEREST OF ANOTHER BORROWER ON THE LOAN BY**
30 **ASSUMING THE SELLER’S PORTION OF THE MORTGAGE IF:**

1 **(I) THE ASSUMPTION IS IN CONNECTION WITH THE GRANTING**
2 **OF A DECREE OF ABSOLUTE DIVORCE; AND**

3 **(II) THE CREDIT UNION DETERMINES THAT THE ASSUMING**
4 **BORROWER QUALIFIES FOR THE LOAN.**

5 **(C) A CREDIT UNION SHALL DISCLOSE AN ASSUMPTION PROVISION IN ANY**
6 **CONVENTIONAL HOME MORTGAGE LOAN IN WRITING TO A LOAN APPLICANT BEFORE**
7 **THE COMPLETION OF THE LOAN APPLICATION.**

8 11-501.

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

10 **(B-1) (1) “CONVENTIONAL HOME MORTGAGE LOAN” MEANS ANY LOAN**
11 **PRIMARILY FOR PERSONAL, FAMILY, OR HOUSEHOLD USE THAT IS SECURED BY A**
12 **MORTGAGE, DEED OF TRUST, OR OTHER EQUIVALENT CONSENSUAL SECURITY**
13 **INTEREST ON A DWELLING OR RESIDENTIAL REAL ESTATE ON WHICH A DWELLING**
14 **IS CONSTRUCTED OR INTENDED TO BE CONSTRUCTED.**

15 **(2) “CONVENTIONAL HOME MORTGAGE LOAN” INCLUDES A LOAN IN**
16 **WHICH FUNDS ARE ADVANCED THROUGH A SHARED APPRECIATION AGREEMENT.**

17 **(3) “CONVENTIONAL HOME MORTGAGE LOAN” DOES NOT INCLUDE A**
18 **LOAN THAT IS INSURED OR GUARANTEED BY THE FEDERAL GOVERNMENT.**

19 (c) (1) “Dwelling” means a residential structure or mobile home that contains
20 one to four family housing units or individual units of condominiums or cooperatives.

21 (2) “Dwelling” does not include a residential structure or mobile home
22 unless the residential structure or mobile home, or at least one unit contained in the
23 residential structure or mobile home, is owner-occupied.

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

25 (i) Is a mortgage broker;

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

27 (iii) Is a mortgage servicer.

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

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

1 (ii) The Federal Home Loan Mortgage Corporation;

2 (iii) The Federal National Mortgage Association;

3 (iv) The Government National Mortgage Association;

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

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

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

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

14 (n) “Mortgage loan originator” has the meaning stated in § 11–601 of this title.

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

20 (1) The transfer of ownership;

21 (2) A repayment maturity date;

22 (3) The death of the consumer; or

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

24 **11–522.**

25 (A) (1) **THIS SUBSECTION APPLIES ONLY TO A CONVENTIONAL HOME**
26 **MORTGAGE LOAN THAT IS NOT ALREADY REQUIRED BY LAW OR REGULATION BY THE**
27 **STATE OR FEDERAL GOVERNMENT TO BE ASSUMABLE IN CONNECTION WITH THE**
28 **GRANTING OF ABSOLUTE DIVORCE.**

29 (2) **A MORTGAGE LENDER OR A MORTGAGE LENDING BUSINESS IN**
30 **THE STATE SHALL INCLUDE IN ANY CONVENTIONAL HOME MORTGAGE LOAN A**

1 PROVISION AUTHORIZING ANY OF THE EXISTING BORROWERS TO PURCHASE THE
2 PROPERTY INTEREST OF ANOTHER BORROWER ON THE LOAN BY ASSUMING THE
3 SELLER'S PORTION OF THE MORTGAGE IF:

4 (I) THE ASSUMPTION IS IN CONNECTION WITH THE GRANTING
5 OF A DECREE OF ABSOLUTE DIVORCE; AND

6 (II) THE MORTGAGE LENDER OR MORTGAGE LENDING
7 BUSINESS DETERMINES THAT THE ASSUMING BORROWER QUALIFIES FOR THE LOAN.

8 (B) A MORTGAGE LENDER OR A MORTGAGE LENDING BUSINESS IN THE
9 STATE SHALL DISCLOSE AN ASSUMPTION PROVISION IN ANY CONVENTIONAL HOME
10 MORTGAGE LOAN IN WRITING TO A LOAN APPLICANT BEFORE THE COMPLETION OF
11 THE LOAN APPLICATION.

12 11-601.

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

14 (q) (1) "Mortgage loan originator" means an individual who for compensation
15 or gain, or in the expectation of compensation or gain:

16 (i) Takes a loan application; or

17 (ii) Offers or negotiates terms of a mortgage loan.

18 (2) "Mortgage loan originator" does not include an individual who:

19 (i) Acts solely as a mortgage loan processor or underwriter;

20 (ii) Performs only real estate brokerage activities and is licensed in
21 accordance with Title 17 of the Business Occupations and Professions Article, unless the
22 individual is compensated by a mortgage lender, mortgage broker, or other mortgage loan
23 originator or by any agent of a mortgage lender, mortgage broker, or other mortgage loan
24 originator;

25 (iii) Is involved solely in extensions of credit relating to timeshare
26 plans, as that term is defined in 11 U.S.C. § 101(53D); or

27 (iv) Is a retailer of mobile homes or an employee of the retailer if the
28 retailer or employee, as applicable, does not receive, directly or indirectly, compensation or
29 gain for engaging in activities described in paragraph (1) of this subsection that is in excess
30 of compensation or gain received in a comparable cash transaction.

31 SECTION 2. AND BE IT FURTHER ENACTED, That §§ 5-514(b), 6-606.1(b),
32 and 11-522(a) of the Financial Institutions Article, as enacted by Section 1 of this Act, shall

1 be construed to apply retroactively and shall be applied to and interpreted to affect any
2 conventional home mortgage loan entered into prior to the effective date of this Act. Any
3 conventional home mortgage that exceeds the lending limits set by the Federal Housing
4 Finance Agency entered into before the effective date of this Act shall be deemed to include
5 a provision allowing for any of the existing borrowers to purchase the property interest of
6 another borrower on the loan by assuming the seller's portion of the mortgage in accordance
7 with Section 1 of this Act.

8 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2025.