

Chapter 512

(House Bill 38)

AN ACT concerning

Financial Institutions – Licensing of Affiliated Insurance Producer–Mortgage Loan Originators – ~~Alteration~~ Alterations

FOR the purpose of altering the licensing requirements for an affiliated insurance producer–mortgage loan originator; requiring the Commissioner of Financial Regulation to approve a certain financial institution that meets certain criteria or certain mortgage lender lenders that ~~meets~~ meet certain criteria as to sponsor an affiliated insurance producer–mortgage loan originator under certain circumstances; and generally relating to licensing of affiliated insurance producer–mortgage loan originators.

BY repealing and reenacting, with amendments,
Article – Financial Institutions
Section 11–603.1 and 11–619
Annotated Code of Maryland
(2020 Replacement Volume and 2025 Supplement)

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

Article – Financial Institutions

11–603.1.

(a) In this section, “affiliated insurance producer–mortgage loan originator” means an individual who:

(1) Originates mortgage loans ~~only on behalf of~~ **MADE BY [a]:**

(I) A single financial institution that is:

[(i)] 1. Described in § 11–502(b)(1) of this title; and

[(ii)] 2. Approved by the Commissioner under subsection (b) of

this section; **OR**

(II) A SINGLE MORTGAGE LENDER AS DEFINED IN § 11–501 OF THIS TITLE THAT IS:

~~1. NOT A FINANCIAL INSTITUTION; AND~~

~~2.~~ ~~APPROVED~~ APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OF THIS SECTION;

(2) Is a licensed insurance producer in good standing under § 10-103 of the Insurance Article; and

(3) Holds an appointment as an insurance producer for an insurer that controls, is controlled by, or is under common control with:

(i) ~~The~~ A financial institution OR ~~THE~~ A MORTGAGE LENDER described in item (1) of this subsection; or

(ii) A mortgage lender ~~licensee~~ that:

1. Is approved by the Commissioner under subsection [(c)] **(D)** of this section; ~~and~~

2. Originates loans ~~only on behalf of the~~ MADE BY A financial institution OR ~~THE~~ A MORTGAGE LENDER described in item (1) of this subsection ~~under an exclusive contract with the financial institution OR THE MORTGAGE LENDER; AND~~

3. IS ACTING AS A MORTGAGE BROKER, AS DEFINED IN § 11-501 OF THIS TITLE.

(b) The Commissioner shall approve a financial institution described in subsection [(a)(1)] **(A)(1)(I)** of this section based on the following criteria:

(1) The financial institution is in good standing with its primary state or federal regulator; and

(2) The financial institution is in material compliance with applicable state and federal law.

(C) THE COMMISSIONER SHALL APPROVE A MORTGAGE LENDER DESCRIBED IN SUBSECTION (A)(1)(II) OF THIS SECTION BASED ON THE FOLLOWING CRITERIA:

(1) THE MORTGAGE LENDER IS IN GOOD STANDING WITH THE COMMISSIONER AND ANY OTHER REGULATOR TO WHICH IT IS SUBJECT; AND

(2) THE MORTGAGE LENDER IS IN MATERIAL COMPLIANCE WITH APPLICABLE STATE AND FEDERAL LAW.

[(c)] (D) The Commissioner shall approve a mortgage lender ~~licensee~~ described in subsection (a)(3)(ii) of this section based on the following criteria:

(1) The mortgage lender ~~licensee~~ is in good standing with the Commissioner and any other regulator to which it is subject; and

(2) The mortgage lender ~~licensee~~ is in material compliance with applicable state and federal law.

[(d)] (E) Approval by the Commissioner of a financial institution under subsection (b) of this section, ~~A MORTGAGE LENDER UNDER SUBSECTION (C) OF THIS SECTION,~~ and a mortgage lender ~~licensee~~ under subsection ~~[(c)]~~ **OR (D)** of this section shall be in writing.

[(e)] (F) (1) An application for a license under this section shall be in the form approved by the Commissioner.

(2) The application shall require the identification of:

(i) ~~The A~~ financial institution **OR A MORTGAGE LENDER** described in subsection ~~[(a)(1)]~~ **(A)(1)(I)** of this section ~~OR THE MORTGAGE LENDER DESCRIBED IN SUBSECTION (A)(1)(II) OF THIS SECTION;~~

(ii) If applicable, ~~the A~~ mortgage lender ~~licensee~~ described in subsection (a)(3)(ii) of this section; and

(iii) The insurer with which the applicant holds an appointment.

(3) An application for a license under this section shall be ~~signed~~ **SPONSORED** by ~~an authorized representative of:~~

(i) ~~The A~~ financial institution **OR THE A MORTGAGE LENDER DESCRIBED IN SUBSECTION (A)(1) OF THIS SECTION THAT IS** identified in the application; or

(ii) If a mortgage lender ~~licensee~~ **DESCRIBED IN SUBSECTION (A)(3)(II) OF THIS SECTION** is identified in the application, the mortgage lender ~~licensee~~.

[(f)] (G) (1) Notwithstanding §§ 11-602(a) and 11-603 of this subtitle, and subject to the provisions of this section, a license issued under this section authorizes the licensee to act as a mortgage loan originator **ONLY ON BEHALF OF A SPONSOR THAT IS:**

(I) IDENTIFIED IN THE LICENSEE'S APPLICATION; AND

(II) 1. A MORTGAGE LENDER; OR

2. A PERSON THAT IS EXEMPT FROM LICENSING AS A MORTGAGE LENDER.

(2) THIS SECTION MAY NOT BE CONSTRUED TO AUTHORIZE SPONSORSHIP OTHER THAN FOR THE PURPOSE DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION.

[(g)] (H) An applicant for a license under this section and a licensee under this section shall comply with all other requirements for ~~[licensure]~~ LICENSING as a mortgage loan originator under this subtitle.

[(h)] (I) A licensee under this section shall limit the licensee's activities to originating mortgage loans ~~only on behalf of~~ **MADE BY [a]:**

(1) A ~~single~~ financial institution approved by the Commissioner under subsection (b) of this section; OR

(2) A ~~SINGLE~~ MORTGAGE LENDER APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OF THIS SECTION.

[(i)] (J) ~~The A financial institution OR THE A MORTGAGE LENDER identified in THAT SPONSORS a licensee's license application or, if a mortgage lender licensee is identified in a licensee's license application, the mortgage lender licensee shall:~~

(1) Supervise the licensee, including providing direction through written instructions or electronic means and by periodically examining the licensee's books, records, and other aspects of the licensee's business;

(2) Be held jointly and severally liable with the licensee for claims arising out of the licensee's mortgage loan origination activities; and

(3) Meet, or cause the licensee to meet, the surety bond requirements under § 11-619(c) of this subtitle.

[(j)] (K) Except as provided in subsection **[(k)] (L)** of this section, a licensee under this section may not:

(1) Aid or assist a borrower to obtain a mortgage loan from **[a]:**

(I) A financial institution other than ~~the~~ **A** financial institution identified in the licensee's license application; **OR**

(II) A MORTGAGE LENDER OTHER THAN ~~THE~~ A MORTGAGE LENDER IDENTIFIED IN THE LICENSEE'S APPLICATION;

(2) Except for compensation based on the principal balance of a mortgage loan, be compensated by any person for mortgage loan origination activities on a basis that depends on the terms of the mortgage loan, including interest rate or fees;

(3) Receive a finder's fee, as defined in § 12-801 of the Commercial Law Article;

(4) Handle borrower or other third party funds in connection with the origination or closing of a mortgage loan;

(5) Refer a borrower to any other licensee under Subtitle 5 of this title; or

(6) Make or service a mortgage loan.

[(k)] (L) A licensee under this section may forward a check to ~~the~~ A financial institution **OR ~~THE~~ A MORTGAGE LENDER** identified in the licensee's license application if the check is:

(1) Made payable to the financial institution **OR THE MORTGAGE LENDER;**

(2) From an applicant for a mortgage loan; and

(3) In connection with an application for a mortgage loan to cover costs for:

(i) An appraisal;

(ii) A credit report; or

(iii) Processing the application.

[(l)] (M) (1) An individual may not act as an affiliated insurance producer-mortgage loan originator ~~under a name or for [an employer] A SPONSOR that is different from the name and [employer] SPONSOR that appear on the license~~ unless the licensee:

(i) Notifies the Commissioner, in the form and in accordance with the process that the Commissioner requires, in advance of a change in the licensee's name or the licensee's **[employer] SPONSOR;**

(ii) Pays to the Commissioner a license amendment fee set by the Commissioner for each notice provided under item (i) of this paragraph; and

(iii) In the case of a new [employer] **SPONSOR**, amends the sponsorship information on NMLS by submitting the amendment in the form required by the Commissioner to indicate that the licensee is [an employee of] **SPONSORED BY** the new [employer] **SPONSOR**.

(2) If a licensee ceases to be [employed] **SPONSORED** by ~~a~~ ANY financial institution approved by the Commissioner under subsection (b) of this section **OR ~~A~~ ANY MORTGAGE LENDER APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OR (D) OF THIS SECTION**, the licensee shall notify the Commissioner within 10 business days, and the license shall be placed into nonactive status through NMLS.

(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 the form and in accordance with the process that the Commissioner requires, that the licensee has obtained [employment with] **SPONSORSHIP FROM** a financial institution that is approved by the Commissioner under subsection (b) of this section **OR A MORTGAGE LENDER THAT IS APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OR (D) OF THIS SECTION**; and

(ii) Has complied with the requirements set forth in paragraph (1) of this subsection.

[(m)] **(N)** The Commissioner may issue a license under this subtitle to an individual who is not [employed] **SPONSORED** by a financial institution approved by the Commissioner under subsection (b) of this section **OR A MORTGAGE LENDER APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OR (D) OF THIS SECTION**, provided that the license is placed into and remains in nonactive status until the licensee:

(1) Notifies the Commissioner, in the form and in accordance with the process that the Commissioner requires, that the licensee has obtained [employment with a] **SPONSORSHIP FROM:**

(I) A financial institution approved by the Commissioner under subsection (b) of this section; **OR**

(II) A MORTGAGE LENDER APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OR (D) OF THIS SECTION; and

(2) Has complied with the requirements set forth in subsection [(l)(1)] **(M)(1)** of this section.

11-619.

(a) Each mortgage loan originator shall be covered by a surety bond in accordance with this section.

(b) (1) A mortgage loan originator who is an employee of a person subject to licensure under Subtitle 5 of this title may use the surety bond of that person to meet the mortgage loan originator's surety bond requirement.

(2) A mortgage loan originator who is an employee of a person exempt from licensure under Subtitle 5 of this title may use a surety bond of the person to meet the mortgage loan originator's surety bond requirement, provided the surety bond meets the requirements, based on mortgage loan volume, under § 11-508 of this title.

(c) A licensee who is an affiliated insurance producer-mortgage loan originator shall be deemed in compliance with this section if the licensee:

(1) Holds a surety bond that would satisfy the surety bond requirements under § 11-508 of this title if the affiliated insurance producer-mortgage loan originator were a licensee under Subtitle 5 of this title; or

(2) Is covered under a blanket surety bond held by ~~the~~ A financial institution, ~~MORTGAGE LENDER, IDENTIFIED IN § 11-603.1(A)(1)(I) OF THIS SUBTITLE~~ or A mortgage lender ~~licensee~~ identified in ~~§ 11-603.1(a)(3)~~ § 11-603.1(A)(1)(II) OR (3)(II) of this subtitle if the blanket surety bond:

(i) Covers all affiliated insurance producer-mortgage loan originators; and

(ii) Is in the amount of \$1,000,000 or another amount as required by the Commissioner by regulation.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2026.

Approved by the Governor, May 12, 2026.