

HOUSE BILL 1509

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By: **Delegate Roberts**

Introduced and read first time: February 13, 2026

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Mortgage Servicers – Insurance Proceeds**

3 FOR the purpose of requiring a mortgage servicer that receives certain insurance proceeds
4 to deposit the proceeds into a certain interest bearing account; requiring a borrower
5 to elect the use of the interest earnings on the insurance proceeds; requiring certain
6 interest earnings to begin accruing by a certain date; authorizing a mortgage servicer
7 to charge a fee for disbursement of interest earnings subject to certain limitations;
8 requiring certain methods and procedures for disbursement of insurance proceeds
9 and interest earnings; and generally relating to mortgage servicers.

10 BY repealing and reenacting, without amendments,
11 Article – Financial Institutions
12 Section 11–501(a), (b), (c), (o), and (r) and 11–517(a)(4)
13 Annotated Code of Maryland
14 (2020 Replacement Volume and 2025 Supplement)

15 BY adding to
16 Article – Financial Institutions
17 Section 11–522.1
18 Annotated Code of Maryland
19 (2020 Replacement Volume and 2025 Supplement)

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

Article – Financial Institutions

22 11–501.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (b) "Borrower" means a person who makes a loan application for or receives a loan
2 or other extension of credit that is or is intended to be secured in whole or in part by any
3 interest in a dwelling or residential real estate located in Maryland.

4 (c) (1) "Dwelling" means a residential structure or mobile home that contains
5 one to four family housing units or individual units of condominiums or cooperatives.

6 (2) "Dwelling" does not include a residential structure or mobile home
7 unless the residential structure or mobile home, or at least one unit contained in the
8 residential structure or mobile home, is owner-occupied.

9 (o) "Mortgage servicer" means a person who:

10 (1) Engages in whole or in part in the business of servicing mortgage loans
11 for others; or

12 (2) Collects or otherwise receives payments on mortgage loans directly
13 from borrowers for distribution to any other person.

14 (r) "Residential real estate" means any owner-occupied real property located in
15 Maryland on which a dwelling is constructed or intended to be constructed.

16 11-517.

17 (a) Subject to the hearing provisions of § 11-518 of this subtitle, the
18 Commissioner may suspend or revoke the license of any licensee if the licensee or any
19 owner, director, officer, member, partner, stockholder, employee, or agent of the licensee:

20 (4) Violates any provision of this subtitle or any rule or regulation adopted
21 under it or any other law regulating mortgage loan lending in the State; or

22 **11-522.1.**

23 (A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
24 **INDICATED.**

25 (2) **"INSURANCE PROCEEDS" MEANS INSURANCE PAYMENTS OR**
26 **INSURANCE CLAIM PROCEEDS ISSUED DUE TO DAMAGE TO A DWELLING OR**
27 **RESIDENTIAL REAL ESTATE.**

28 (3) **"LOSS DRAFT ACCOUNT" MEANS AN ACCOUNT IN WHICH A**
29 **MORTGAGE SERVICER HOLDS INSURANCE PROCEEDS PENDING A REPAIR OR**
30 **REBUILDING OF A DWELLING OR RESIDENTIAL REAL ESTATE THAT HAS BEEN**
31 **DAMAGED.**

1 **(B) THIS SECTION APPLIES TO A MORTGAGE SERVICER THAT RECEIVES**
2 **INSURANCE PROCEEDS.**

3 **(C) (1) THE MORTGAGE SERVICER SHALL DEPOSIT THE INSURANCE**
4 **PROCEEDS INTO A LOSS DRAFT ACCOUNT IN A FEDERALLY INSURED BANKING**
5 **INSTITUTION WITH A SIMPLE INTEREST RATE OF AT LEAST 2% PER ANNUM.**

6 **(2) THE BORROWER SHALL ELECT TO HAVE THE INTEREST**
7 **EARNINGS:**

8 **(I) CREDITED TO THE LOSS DRAFT ACCOUNT; OR**

9 **(II) PAID DIRECTLY TO THE BORROWER.**

10 **(3) EXCEPT AS PROVIDED UNDER PARAGRAPH (4) OF THIS**
11 **SUBSECTION, INTEREST EARNINGS ON INSURANCE PROCEEDS IN A LOSS DRAFT**
12 **ACCOUNT SHALL ACCRUE ON DEPOSIT OF THE INSURANCE PROCEEDS.**

13 **(4) IF INSURANCE PROCEEDS HAVE BEEN DEPOSITED INTO A LOSS**
14 **DRAFT ACCOUNT ON OR BEFORE JULY 1, 2026, INTEREST EARNINGS SHALL ACCRUE**
15 **BEGINNING JULY 1, 2026.**

16 **(D) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A MORTGAGE**
17 **SERVICER MAY CHARGE THE BORROWER A FEE FOR THE DISBURSEMENT OF THE**
18 **INTEREST EARNINGS PAID DIRECTLY TO THE BORROWER BY WIRE TRANSFER.**

19 **(2) A MORTGAGE SERVICER MAY NOT CHARGE THE BORROWER A FEE:**

20 **(I) THAT IS UNREASONABLE;**

21 **(II) THAT WOULD HAVE THE EFFECT OF LOWERING THE**
22 **INTEREST EARNINGS TO AN AMOUNT THAT WOULD EQUATE TO AN INTEREST RATE**
23 **THAT IS LESS THAN 2%;**

24 **(III) FOR THE DISBURSEMENT OF THE INTEREST EARNINGS BY**
25 **DIRECT DEPOSIT; OR**

26 **(IV) THAT EXCEEDS THE ACTUAL COSTS INCURRED BY THE**
27 **MORTGAGE SERVICER FOR THE DISBURSEMENT.**

28 **(E) (1) DISBURSEMENT METHODS OF THE INSURANCE PROCEEDS OR THE**
29 **INTEREST EARNINGS SHALL INCLUDE AT LEAST TWO OF THE FOLLOWING:**

- 1 (I) WIRE TRANSFER;
- 2 (II) DIRECT DEPOSIT;
- 3 (III) CASHIER'S CHECK DELIVERED BY MAIL; OR
- 4 (IV) CERTIFIED CHECK DELIVERED BY MAIL.

5 (2) THE DISBURSEMENT OF THE INTEREST EARNINGS DIRECTLY TO
6 THE BORROWER SHALL OCCUR NOT LATER THAN 10 BUSINESS DAYS AFTER THE
7 MORTGAGE SERVICER RECEIVES NOTICE THAT THE BORROWER:

8 (I) ELECTS TO RECEIVE THE INTEREST EARNINGS DIRECTLY;
9 AND

10 (II) PROVIDES ANY INFORMATION NECESSARY FOR THE
11 MORTGAGE SERVICER TO COMPLETE THE DISBURSEMENT.

12 (3) THE MORTGAGE SERVICER MAY NOT PLACE AN UNDUE BURDEN
13 ON A BORROWER TO PROVIDE THE NECESSARY INFORMATION UNDER PARAGRAPH
14 (2) OF THIS SUBSECTION.

15 (F) (1) WITHIN 5 BUSINESS DAYS AFTER RECEIVING INSURANCE
16 PROCEEDS, A MORTGAGE SERVICER SHALL DEPOSIT THE INSURANCE PROCEEDS IN
17 A FEDERALLY INSURED BANKING INSTITUTION.

18 (2) WITHIN 10 BUSINESS DAYS AFTER RECEIVING INSURANCE
19 PROCEEDS, A MORTGAGE SERVICER SHALL NOTIFY ELECTRONICALLY OR BY MAIL
20 THE BORROWER OF:

21 (I) THE AMOUNT OF INSURANCE PROCEEDS HELD IN THE LOSS
22 DRAFT ACCOUNT;

23 (II) THE INTEREST RATE ON THE ACCOUNT;

24 (III) THE BORROWER'S RIGHT TO RECEIVE THE INTEREST
25 EARNINGS;

26 (IV) THE DISBURSEMENT OPTIONS;

27 (V) ANY APPLICABLE FEES; AND

28 (VI) THE TIME FRAME FOR RECEIVING THE DISBURSEMENT.

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