

February 22, 2023

House Economic Matters Committee

Chair: Delegate C.T. Wilson

House Bill 379 - Financial Regulation – Modernizing Licensing of Non-Depository Institutions and Elimination of Branch License Requirements

Re: Letter of Support

The Office of the Commissioner of Financial Regulation’s (“OCFR”) goal is to operate a modern regulatory system. Current law requires OCFR to charge each licensed entity a fee for each branch that it wants to license and operate. Not only does that system entail multiple fees, but it also entails the issuance and tracking of multiple licenses for each institution. Updating that existing non-depository licensing system meets the goal of operating a modern regulatory system and would put Maryland at the forefront of the movement to improve the licensing of non-depository entities.

As noted above, current law requires the OCFR to issue licenses for each location (*i.e.*, a branch and/or headquarters) that a non-depository licensee operates. The per-branch fee is fixed in statute and unrelated to the risk posed by the licensee’s operations or the costs incurred by the OCFR in supervision. It is a “one-size-fits-all” licensing statute that has been in place for years. This legislation modernizes the non-depository licensing structure by eliminating the concept of “branch” licenses, and the paperwork, costs, and other administrative efforts that are associated with issuing such licenses. It replaces the current licensing structure with a modern structure. That structure involves the issuance of one license per entity (instead of licensing each branch location), creates a reinstatement process allowing licensees to renew their expired licenses rather than reapplying (a process which is lacking under current law), and adds requirements pertaining to the use of trade names.

Licensee fees paid to OCFR are deposited into a non-depository special fund. That fund has grown over the past few years because the fee structure is not rationally related to the growth in businesses. Under this legislation, Licensee fees for each licensee type will be established yearly by the OCFR through the combination of a fixed license fee and an assessment structure that allows the OCFR to match the costs incurred by the Office in licensing and supervising licensees to the fees that they are charged. It is anticipated that assessments will be minimal or not be needed at all until FY 27 as the non-depository fund’s current balance will sustain the OCFR’s operations without addition until that fiscal year. The new system retains other existing requirements for licensure (such as bonding, etc.) although these requirements are modified to account for the single license and for the disclosure of locations. The changes made by the bill do not diminish consumer protections.

With that, we request a favorable Committee Report.