HB0400 - SUP - GR23 - Senate.pdf
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MARYLAND BANKERS ASSOCIATION

HB 400 – Commercial Law - Ability to Repay Verification - Exemption

Committee: Senate Finance Committee

Date: March 22, 2023

Position: Support

The Maryland Bankers Association (MBA) **SUPPORTS** HB 400, which exempts community development financial institutions (CDFIs) from considering a borrower's ability to repay a mortgage loan from consideration on whether to approve the loan. Granting this exemption will greatly increase access to capital for Marylanders who reside in underserved communities.

CDFIs specialize in providing low-interest loans, along with financial education and business coaching, to these communities in need. The Harbor Bank of Maryland's Community Development Corporation is a certified CDFI in Baltimore and several other banking institutions partner with CDFIs to provide these services to Marylanders as well.

Under the Maryland Mortgage Lending Law, a mortgage lender is required to consider a borrower's ability to repay the mortgage. With this existing statute in place, CDFIs may not be able to work with potential mortgagees to meet their goal of homeownership, which ultimately restricts credit flowing into communities that need it the most. HB 400 removes a barrier to homeownership and allows CDFIs to continue improving the lives of Marylanders who have traditionally not been given the resources needed to thrive.

Maryland banks recognize the importance of addressing racial and economic inequality and passing this legislation will help prioritize the needs of those harmed by systemic inequities. Accordingly, MBA urges a **FAVORABLE** report on HB 400.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 30,000 Marylanders and holding more than $181 billion in deposits in over 1,000 branches across our State. The Maryland banking industry serves about 4 million customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.

HB400 Kipke Amendment 953926_1.pdf
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HB0400/953926/1

AMENDMENTS PREPARED BY THE DEPT. OF LEGISLATIVE SERVICES

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BY: Delegate Kipke
(To be offered in the Economic Matters Committee)

AMENDMENTS TO HOUSE BILL 400
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 3, after "exempting" insert "certain"; and strike beginning with "made" in line 3 down through "institutions" in line 4.

AMENDMENT NO. 2

On page 3, in line 1, strike "**OR**"; in line 3, before the period insert "**; OR**

(IV) MADE UNDER TITLE 12, SUBTITLE 1 OF THIS ARTICLE"

HB 400 Crossover_Consumer Protection Division_Unfa
Uploaded by: Kira Wilpone-Welborn
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March 21, 2023

To: The Honorable Melony Griffith
Chair, Finance Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 400 – Commercial Law - Ability to Repay Verification – Exemption (OPPOSE)

The Consumer Protection Division of the Office of the Attorney General (the "Division") opposes House Bill 400 sponsored by Delegate Nicholaus R. Kipke. Presently, under Commercial Law § 12-1029, mortgage lenders issuing loans with government guarantee and/or refinancing certain mortgage loans are excused from conducting a review of a borrower's ability to repay. House Bill 400 seeks to further expand this borrower's ability to repay verification exemption to Community Development Financial Institutions. Specifically, House Bill 400 exempts Community Development Financial Institutions from conducting a review of a borrower's ability to repay the mortgage loan, including a review of the borrower's debt-to-income ratio and a borrower's verified monthly income and assets through third-party documentation.

Allowing Community Development Financial Institutions to issue mortgage loans without verifying a borrower's ability to repay creates the unnecessary risk of consumers being marketed and provided loans they ultimately cannot afford. As seen during the mortgage foreclosure crisis a dozen years ago, mortgage loans provided to consumers with little to no income inquiry and verification ultimately resulted in a high rate of loan defaults and foreclosures, and substantial harm to the housing and banking markets.[1] Loosening the carefully created guardrails of verifying a borrower's ability to repay, as House Bill 400 seeks to do, could subject underserved borrowers to the deceptive, unfair, and abusive practices of being targeted with and provided mortgage loans they cannot afford.

[1] *See* The Financial Crisis Inquiry Commission Report, January 2011, http://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf

For these reasons, the Division requests that the Finance Committee give House Bill 400 an unfavorable report.

cc: Members, Finance Committee