

# **HB686 XO Letter of Support.pdf**

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March 23, 2023

Senate Finance Committee

Chair: Senator Melony Griffith

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.

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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**TESTIMONY OF DELEGATE PAM QUEEN**  
**HB 686 – Financial Regulation – Modernizing Licenses of Non-Depository**  
**Institutions & Elimination of Branch License Requirements**  
**SUPPORT**

Greetings Chair Melony Griffith, Vice-Chair Katherine Klausmeier, and members of the Senate Finance Committee:

HB 686 modernizes Maryland's license fee structure and use practices like other states. This bill eliminates the concept of a "branch" license fee and replaces it with an updated fee structure involving the issuance of one license and fee per entity, plus a variable, annual assessment.

The new structure retains other existing requirements for licensure (such as bonding, etc.) although these requirements are modified to account for a single license and the disclosure of locations. Also, these proposed changes do not impact any consumer protections laws that these financial service providers must follow.

The Office of the Commissioner of Financial Regulations (OCFR) wants this change and expects that upon the initial implementation of the bill, due to the current balance of the non-depository fund, many licensed entities will see a substantial reduction in their fees. Once the program is fully implemented, which is expected in two years after enactment, OCFR will set assessments according to the statutory factors with the intent of matching income from fees to the cost of operating the agency.

This bill is lengthy (72 pages) because it updates the non-depository licensing fee structure for each kind of entity OCFR licenses. There are nine types found in various articles of the Maryland Code. The same provisions are being repeated for each section of the code that applies to each type of licensed entity.

This bill passed out of the House Economic Matters Committee unanimously and passed out of the House chambers unanimously. I seek a favorable recommendation from the Senate Finance Committee.