



Testimony offered on behalf of:

**MORTGAGE BANKERS' ASSOCIATION,
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION,
INC., and
MORTGAGE BANKERS' ASSOCIATION OF METROPOLITAN
WASHINGTON**

IN SUPPORT OF:

**HB1516 – Financial Institutions – Consumer Credit –
Application of Licensing Requirements
(Maryland Secondary Market Stability Act of 2025)**

The Maryland Mortgage Bankers and Brokers Association (MMBBA), the Mortgage Bankers Association of Metropolitan Washington DC, and the national Mortgage Bankers Association (MBA) wish to express our thanks with respect to sponsor's introduction of **HB1516, the Maryland Secondary Market Stability Act of 2025**. **Our organizations fully support his important legislation**, which is also supported by the Maryland Office of Financial Regulation (OFR), because it is essential to restoring normal access to affordable home mortgage credit in the state.

The bill is necessary to address the unintended consequences of guidance¹ and emergency regulations² issued on January 10, 2025, by OFR to implement a 2024 ruling of the Maryland Appellate Court in the case, *Brown v. Ward*.³ In that ruling, the Court required the licensing of all parties who acquire or are assigned Maryland mortgage loans. OFR's regulation and guidance explicitly noted that this includes "mortgage trusts, including passive trusts," unless expressly exempted. Because trusts are often passive legal vehicles that merely facilitate access to liquidity and have no consumer contact, the sudden requirement that they be licensed has caused several purchasers of Maryland mortgage loans to quickly announce that they will either raise costs for Maryland loans or cease their purchases. Your legislation would create the necessary exemptions for trusts under the law to restore normal credit access to Maryland consumers.

It is important to state that **HB1516** is already having an important and positive impact. Initially, OFR set April 10, 2025, as the start date for enforcement of trust licensing. The Department's purpose was to allow the Legislature time to respond to the new

¹ <https://www.labor.maryland.gov/finance/advisories/advisory-ind-licensingreqsmorttrustsemereg25.pdf>

² https://dspd.maryland.gov/MDRIssues/5201/Assembled.aspx#_Toc187062312

³ <https://www.courts.state.md.us/data/opinions/cosa/2024/1009s23.pdf>

requirements and the swift market reaction. On February 18, 2025, following introduction of **HB1516**, OFR further extended the compliance date to July 6, 2025, and expressed its hope “to ensure the continued availability of mortgage loans for Maryland consumers.”⁴

The discussion of trust licensing often understates the broad scope of the vast regulatory framework under which our member companies operate. All mortgage bank and nonbank lenders and servicers are robustly supervised and subject to all applicable federal and Maryland statutes and regulations. In addition, nonbank mortgage lenders and servicers operating in the state are subject to state and federal consumer protection rules, OFR licensing, supervision, and examination, and each of their mortgage loan originators must also be licensed – and annually renew that license – before they may work with a consumer. Additionally, the Federal Housing Administration, Ginnie Mae, the Veterans Administration, the government-sponsored enterprises (Fannie Mae and Freddie Mac), and warehouse lenders all exercise regulator counterparty oversight, establish minimum financial standards, and require regular financial reporting.

Another important element of **HB1516** is the creation of a one-year study commission consisting of a wide variety of stakeholders to review this issue and make any recommendations to the Legislature before December 31, 2025. This group’s work will provide opportunities for all views to be considered.

Again, we thank the sponsor for her leadership in introducing this legislation, and **know that our organizations support swift passage and enactment to help restore maximum access to affordable more credit for Maryland borrowers.** We also wish to thank the leadership of Governor Wes Moore’s administration for its swift and supportive efforts.

If you have any questions or need any information, please contact Dennis F. Rasmussen, Advocate for the MMBBA, at dfr@rasmussengrp.net.

Respectfully submitted,

Timothy J. Gough, CBM

MMBBA Legislative Committee

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⁴ <https://labor.maryland.gov/finance/advisories/advisory-ind-mdsecondarymarket25.pdf>



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**IN SUPPORT OF:
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**House Economic Matters Committee
Hearing – 3/11/2025 at 1:00 PM**

The Maryland Mortgage Bankers and Brokers Association, Inc. (“MMBBA”)

**STRONGLY SUPPORTS HOUSE BILL 1516 – Financial Institutions -
Consumer Credit - Application of Licensing Requirements (Maryland
Secondary Market Stability Act of 2025).**

On January 10, 2025, the Maryland Office of Financial Regulation (“OFR”) issued emergency regulations that require all secondary market assignees (i.e., passive trusts) of Maryland mortgage loans to become licensed under both the Installment Loan Licensing Law (“ILL”) and the Mortgage Lender Law (“MLL”). The emergency regulations are a result of Maryland’s intermediate appellate court decision in Estate of H. Gregory Brown v. Ward. SB1026 is necessary to rectify a misguided court decision that led to emergency regulations with which compliance is nearly impossible. This legislation would explicitly exempt passive trusts from licensing.

Requiring passive trust to be licensed is onerous, impractical and, in many cases, impossible, and offers no additional meaningful consumer protection. The trust’s sole purpose is to maintain ownership of a pool of mortgages. The trust has no employees; therefore, it has no interaction with the borrower and is uninvolved in servicing a mortgage or, in the event of default, with the foreclosure process. The originating lender and mortgage servicer are licensed and regulated by the Financial Commissioner (or exempt if a federally chartered bank).

An initial estimate from MBA data shows at least 9,000 existing securitization trusts totaling more than \$435 billion hold loans from Maryland. It is impractical, at best, to think that even a fraction of these entities can retroactively become licensed by the July 6, 2025, deadline as required in the emergency regulation. Prospectively, the regulations would require any assignee who touches a loan for any length of time to become licensed. In the securitization process, loans may pass through multiple entities - sometimes for very short periods of time - before it becomes owned by the securitization trust. Licensing all these entities increases the burden both on secondary market participants but also on the Maryland Financial Commissioner.

On February 7, 2025, a consortium of industry trade associations including MMBBA submitted a brief to the Office of Financial Regulation (OFR) detailing the draconian effect the emergency regulations are having on the Maryland mortgage market. Shortly thereafter, the OFR extended the regulatory deadline from April 10, 2025, to July 6, 2025, giving the Legislature time to pass a bill that would rectify the crisis.

The Maryland mortgage market is already experiencing severe disruption. On January 28, 2025, MAXEX, a digital exchange that provides a central clearinghouse for lenders, banks and investors to buy and sell loans using a standardized trading process announced that, effective immediately, they are not accepting loans in Maryland because of the regulatory change requiring passive trusts to be licensed. Several of the mortgage buyers on the exchange include J.P. Morgan, Morgan Stanley, Goldman Sachs, Citibank, Bank of America and others. MMBBA members have received numerous notifications from other lenders suspending business in the Maryland mortgage market or adding substantial price adjustments. Some of these adjustments equate to over 0.50% in interest rate or more! These actions are due to the uncertainty and confusion related to the regulation. Other mortgage aggregators are expected to follow suit. At least in the near term, the only sure path for secondary markets to avoid violating these regulations is to not include Maryland loans in securitization transactions and whole loan purchases. This will harm Maryland consumers because Maryland loans will be worth less in the secondary markets, which would result in significantly higher costs and lower availability for loans for many Maryland consumers.

3/7/2025

HB1516

For these reasons, the MMBBA STRONGLY supports HB1516 and requests a favorable Committee report.

Respectfully submitted,

Timothy J. Gough, CMB

MMBBA President

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