



March 3, 2025

The Honorable Pam Queen
427 Lowe House Office Building
6 Bladen Street
Annapolis, MD 21401

RE: HB1516, the Maryland Secondary Market Stability Act of 2025 - **SUPPORT**

Dear Delegate Queen:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is a national trade association representing over 350 large, medium, and small broker-dealers, investment banks and asset managers, many of whom have a strong presence in Maryland. In fact, approximately 85,000 people in the state work in the finance and insurance industries, almost 18,000 of them are employed by securities firms, and 35 broker-dealer main offices call Maryland home.²

SIFMA is writing to express its strong support for your recently introduced HB1516, the Maryland Secondary Market Stability Act of 2025.

As you know, banks alone cannot fund the mortgage needs of consumers, and mortgage finance companies depend on the existence of active secondary markets to provide an outlet for their lending. SIFMA members participate in the secondary markets, acting as loan purchasers for the purpose of investment as well as securitization of those loans in mortgage-backed securities. These markets provide a mechanism for investor capital to help fund mortgage lending, making those loans more available and more affordable. They also allow lenders to recycle their limited capital back into new mortgage loans.

Guidance and regulations issued by the Maryland Office of Financial Regulation (OFR) in January 2025 have had the unintended consequence of constraining secondary mortgage markets in the state. The rules and guidance would require every party that holds a Maryland mortgage loan to be state licensed. The licensing requirement would extend beyond actual mortgage lenders to parties with no nexus to the consumer – such as a securitization trust, an intermediary who facilitates the sale of a loan or pool of loans, and others. This is a particular problem for securitization trusts, which are passive vehicles that do not lend or interact with consumers and do not have a mechanism to become licensed. Compounding the problem, the rules and guidance have retroactive effect,

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. For more information, visit <http://www.sifma.org>.

² US Department of Labor – Bureau of Economic Analysis and Discovery Data 2023. *See also* <https://states.sifma.org/#states>

creating a springing requirement for holders of thousands of loans that may have been originated a decade or more ago.

These new requirements create substantial legal risks and significant operational challenges that secondary market participants have proven reluctant to take on. For many mortgage lenders, they will not make loans if there is not a secondary market available for those loans. Thus, the requirements have already had the effect of causing some lenders to limit or cease operations in the state.³

Moreover, these negative consequences occur without providing any additional consumer protection. Lender licensing requirements are unnecessary for parties who do not lend and have no connection to a consumer. Those parties that do interface with consumers and do make or service mortgage loans – lenders and servicers – are required to be licensed already.

While OFR has subsequently exempted some entities, such as Fannie Mae and Freddie Mac, from the licensing requirements, all other participants in the secondary market remain impacted. Ironically, this includes those who aggregate loans from smaller lenders and sell them to Fannie Mae and Freddie Mac.

HB1516 will mitigate the unintended consequences of the guidance and rules, by providing that parties who purchase mortgages, but do not otherwise make mortgages or engage in the mortgage lending business, are exempt from the state licensing requirements. This is a sensible approach. Licensing requirements are designed to protect consumers, and this legislation would apply those requirements to all parties who interact with consumers in the mortgage lending process.

We appreciate your attention to this important issue. Please contact me at 202-962-7411 or our lobbyist Keith Walmsley at 443-822-1347 with any questions or concerns.

Sincerely,



Kim Chamberlain
Managing Director & Associate General Counsel

³ See, for example, “American Heritage Lending Halts Funding Loans in Maryland”, National Mortgage Professional (January 31, 2025), available here: <https://nationalmortgageprofessional.com/news/american-heritage-lending-halts-funding-loans-maryland>. This is just one example of many.