



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB1018
Testimony by Delegate Andrew Pruski
February 18, 2025 – Economic Matters

What the Bill Does:

The purpose of HB1018: Financial Institutions – Conventional Home Mortgage Loans – Assumption and Required Disclosures required certain entities, such as banking institutions, credit unions, and mortgage companies to include a certain provision in certain home mortgage loans authorizing a certain borrower to purchase the property interest of a certain borrower in connection with a decree of absolute divorce under certain circumstances. It also requires entities to disclose certain provisions in writing to a loan applicant prior to the completion of the loan application.

In summary, this bill would require that all home loans in Maryland that are not already assumable in cases of divorce, noting that the party assuming the loan qualifies for said mortgage loan would be able to assume the mortgage loan. It would also require banking institutions to disclose an assumption provision in any conventional home mortgage loan in writing to a loan applicant before the completion of the loan application

Why the Bill is Important:

This premise of this bill was brought to the attention of lawmakers by an Anne Arundel County resident, Kelly Seely, who was going through a divorce. In an effort to stay in the home that the couple bought together, Kelly attempted to assume their home loan solely in her name and was told that that was not possible. After advocating on behalf of her family, Kelly was informed that the loan could be assumed. While she is still in the process of assuming the loan, the prospect of succeeding is a relief to her family and children, who will be able to continue to grow up in their home and stay rooted in their community and schools.

Additional background:

Under existing law, an assumable mortgage is a home loan that can be transferred from the original borrower to the next homeowner. The interest rate and payment period stay the same. Essentially, only the name on the mortgage documentation changes; everything else remains the same if the mortgage is assumed, versus if a mortgage is refinanced. Refinancing would result in a new loan, with new terms, new interest rate, and new repayment period. The primary advantage of assuming a loan can be to maintain a comparatively lower interest rate, which can save homeowners hundreds of dollars per month and tens of thousands over the course of the

loan. This can mean the difference between staying in one's home or being uprooted during what can be an already tumultuous time.

Several home loan types are already assumable in most or all cases. These include many government guaranteed or insured loans such as Federal Housing Administration (FHA), Department of Veterans Affairs (VA), or United States Department of Agriculture (USDA) loans. Most conventional home loans—a type of mortgage that is not backed by a government agency—are not assumable in most cases. Conventional mortgages fall into two categories: “conforming” and “nonconforming” loans. In cases of divorce, conforming conventional loans can be assumed; nonconforming conventional loans cannot be assumed.

Conforming loans follow the guidelines set by Fannie Mae and Freddie Mac, two government-sponsored enterprises that provide money for the U.S. housing market. The best-known rule has to do with the size of the loan. In 2025, the “conforming loan limit” for single-family homes in most of the continental U.S—including all but five Maryland counties—is \$806,500. Higher-cost areas, including Calvert, Charles, Frederick, Montgomery, and Prince George's counties, have a higher limit of \$1,149,825.

Many nonconforming loans are “jumbo loans,” which are for home buyers who need to borrow an amount that's higher than the conforming limit for the area. Notably, Anne Arundel County defers to the lower national threshold despite having several parts of the county with high costs of living, so many loans fit into this category and would not benefit of assumability in cases of divorce.

This bill has the ability to keep families in their homes at the end of what is often a very difficult time, a divorce.

For these reasons, I request a favorable report on HB1018.