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To: HOUSE ECONOMIC MATTERS COMMITTEE
From: Phillip Robinson
Date: March 7, 2025
Subject: TESTIMONY IN OPPOSITION TO HB 1516

PLEASE ACCEPT THIS TESTIMONY IN OPPOSITION TO THE MOORE ADMINISTRATION'S EFFORTS (i.e. HB 1516) TO CHANGE FUNDAMENTAL, CONSUMER PROTECTION LAWS WHICH HAVE BEEN MARYLAND LAW FOR DECADES.

This opposition is based upon the facts and the process chosen by the Administration to propose and fast-track this deregulation agenda, without any input from all the stakeholders—an effort which is working contemporaneously with the Trump-Musk team is destroying the federal Consumer Financial Protection Bureau. Quite simply, it is undemocratic, strange, and disappointing that the Administration is following the Trump-Musk team's lead to create loopholes to allow financial service actors to avoid paying a licensing fee to the State (which is in a budget crisis) and avoid any review and examination to ensure Maryland residents are not subjected to unfair, deceptive, or abusive practices. And finally this entire effort is barring any oral testimony from those impacted by the policy choices made by the Administration.

To illustrate the misleading talking points advanced by the Moore Administration and the proponents of this legislation, I offer these questions and responses:

Are the Moore Administration and its private equity friends correct that the 'secondary market' is collapsing because someone who buys consumer loans from another will have to pay a \$250 fee to get licensed? No! There is no evidence other than blogs from industry attorneys creating the hysteria so they are hired for work in Maryland.¹

¹ See e.g. [Maryland Secondary Market Imperiled by Sweeping Regulatory Change Requiring Licensure for All Assignees of Mortgage Loans | Of Interest; Maryland Mortgage Loan Purchasers Face New License Requirement.](#)

Most the laws requiring a licensing for assignees of consumer loans and products have been on the books for decades and in that entire time there has been no news accounts that anyone has a problem complying with the requirement to be licensed in Maryland—except professional defaulted, debt purchasers who buy debts for pennies on the dollar..

Did the court decision in *Est. of Brown v. Ward*, 261 Md. App. 385, 313 A.3d 630 (2024) change Maryland law? No! The *Brown* case interpreted a law (not even changed by this proposed legislation) that was enacted in 1989.² And the *Brown* case involved a zombie loan (seriously delinquent loan) that a hedge fund purchased for pennies on the dollars of what was claimed to be owed and by its terms expressly incorporated Maryland law into its agreement. The decision simply held that an assignee of a zombie mortgage who was unlicensed (but is required to be licensed under long-standing law and the express terms of the loan it purchased) could not use the Maryland courts to foreclose. *Id.* at 429. The *Brown* foreclosure was later dismissed without prejudice as a result and the zombie purchaser can refile when it is licensed.

Is there a license requirement for mortgage lenders in Maryland? Yes! The Maryland Mortgage Lender Law (“MMLL”) governs the license requirements for the mortgage lenders and servicers who operate in the State. *See* Md. Code Ann., Fin. Inst. § 11-501, *et seq*

Are mortgage actors on the secondary mortgage market already governed by the MMLL? Mostly No! Almost all secondary mortgage actors are already exempt from the scope of the MMLL including Fannie Mae, Freddie Mac, banks, credit unions, DHCD, insurance companies, and others (as well as loans insured by FHA, VA, or Ginny Mae).³ By my estimate, the bulk of secondary, mortgage actors who should be licensed are mostly private equity, zombie purchasers (like in *Brown*) who are in business to solely buy defaulted mortgage loans at a discount for pennies on the dollar and they represent a small fraction of the total marketplace. *See* [Zombie mortgages coming back to life, threatening thousands of Americans' homes : Planet Money : NPR](#). There is no good faith basis for the Moore Administration to claim there is an emergency when more than 90% of the secondary mortgage market is already exempt from any license requirement under the

² *See e.g.* Acts 1989, c. 476, § 3, eff. July 1, 1989 now codified at Md. Code Ann., Com. Law § 12-915; Md. Code Ann., Com. Law § 12-1015; and Md. Code Ann., Fin. Inst. § 11-504.

³ *See* Md. Code Ann., Fin. Inst. § 11-502.

MMLL and history tells us that for decades no one had any problem complying with the MMLL.

Did the Moore Administration meet with all stakeholders after the *Brown* decision to discuss its impact? No! Instead, the Moore Administration held formal meetings and conversations with the industry only on multiple dates including June 7, 2024, June, 7, 2024, June 13, 2024, July 12, 2024, September 3, 2024, and September 27, 2024. And now the Moore Administration is rushing through these bills to avoid having to hear from any opposition.

What was the basis advanced by the Moore Administration to consumer advocates for the need this legislation once disclosed in 2025 (after the Administration had already been meeting with Industry for months)? The Moore Administration claimed this legislation was needed because the Rocket Companies Inc. threatened to leave the Maryland mortgage market. This feigned threat is simply specious and was never apparently investigated. Rocket Mortgage is licensed already. And according to the Rocket Companies public disclosures with the SEC, “[t]he majority of the mortgage loans [Rocket Mortgage] service are [owned by]...Fannie Mae, Freddie Mac (collectively defined as ‘GSEs’) and Ginnie Mae.”⁴ So, Rocket’s business is to sell loans to others who are exempt from the MMLL. It has no risk to its business because of *Brown* or the MMLL.

If Rocket Mortgage really wished to leave Maryland would that be such a terrible thing? No! In December 2024 the CFPB sued multiple affiliates of Rocket Mortgage related to an illegal kick-back scheme involving hundreds or thousands of instances designed to steer borrowers to Rocket Mortgage and block competition in a way that drove up the cost of housing. [cfpb_ea-rocket-respa-complaint_2024-12.pdf](#). The Trump-Musk team dismissed that action with prejudice just a week ago, barring any relief for consumers. See [Consumer watchdog quits cases against firms accused of ripping off consumers | CNN Business](#). Under Maryland law this same conduct subject to the CFPB former action is a misdemeanor for each violation. Md. Code Ann., Real Prop. § 14-127. Yet, the Moore Administration has taken no action to protect Maryland consumers harmed by the conduct and instead is working in concert with the Rocket Companies to advance this legislation. Furthe, it the Rocket Companies leave Maryland that just means based upon the CFPB’s complaint, there will be more opportunities for honest mortgage actors who do not participate in illegal kick-back schemes to do business in Maryland.

⁴ [RKT-2024-10-K.pdf](#) (at Page 16).

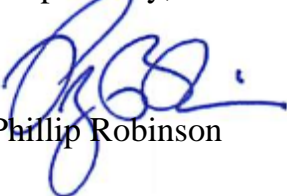
If the Moore Administration is so worried about the secondary mortgage market in light of the *Brown* decision, why does this bill not just amend the MMLL instead of applying to every license authorized by the Financial Institutions Article? This is no basis offered for the expanded scope of the bill. I can only assume this is an intentional effort to deregulate other sectors under the pretext of the *Brown* decision. As written, the bill would potentially impact actors who acquire interests in consumer loans and transactions related to check cashing services, debt management services, sales finance companies, car loans, small consumer loan companies, mortgage lenders, and others. It is frankly difficult to understand why bill's advocates wish to broaden the exemptions beyond mortgage actions who are already mostly exempt. *See FN 3 supra.*

If this bill passes will Maryland have the legal right to examine secondary mortgage actors who are no longer licensed or supervised by Maryland? No. The Code generally only authorizes examinations of licensees. *See e.g.* Md. Code Ann., Fin. Inst. § 11-515. So, by exempting zombie, mortgage debt buyers from any examination, the Moore Administration is choosing to give up a basic, fundamental tool in the tool-box to protect Maryland homeowners from the predatory practices of zombie, mortgage debt buyers (and others like them). This exemption will also reduce revenues for the State that are collected from examination fees.

Right now, homeowners are seeking to have foreclosure cases dismissed (without prejudice) because the owner of their loan is not licensed but required to be licensed under decades of established law. Other consumers covered by the dozens of other licenses issued under the Financial Institutions Article have similar protections right now under those laws. In stark contrast, the Moore Administration is standing against those homeowners and consumers in favor of the rich and well-connected to rush through legislation without any meaningful, honest conversation—or even any leave to have oral testimony in opposition to this bill.

Based upon the foregoing, I urge the Committee to **VOTE UNFAVORABLE** on **HB 1516.**

Respectfully,



Phillip Robinson