

# **OFR Written Testimony SB1026 - Secondary Market St**

Uploaded by: Amy Hennen

Position: FAV

March 11, 2025

Senate Finance Committee

Chair: Senator Pamela Beidle

Senate Bill 1026 - Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)

**Re: Letter of Information**

The Office of Financial Regulation (OFR) supervises mortgage lending in Maryland to ensure a stable, fair, and competitive financial marketplace while protecting consumers. OFR provides this testimony in support of Senate Bill 1026, which is intended to return stability to the Maryland secondary loan market; a market that was thrown into turmoil after the issuance of a Circuit Court decision earlier this year.

That Maryland Circuit Court case, (*Estate of Brown v Ward*), held that passive trusts that hold mortgage loans must be licensed by OFR. That decision, which was not appealed and is now final, represents a significant shift in regulatory and licensing expectations for mortgage and other consumer loans that are commonly bundled for sale in the secondary market. No other state requires such trusts to be licensed and, prior to this ruling, OFR did not require such passive trusts to be licensed. If the licensing requirement is not amended through Senate Bill 1026, OFR believes that mortgage and other consumer lending in the State will continue to be disrupted. Moreover, if SB 1026 is not passed, OFR will be required to oversee the licensing and examination of thousands of passive trusts—an unprecedented and resource-intensive undertaking for both OFR, which is not resourced to handle such increased responsibilities, and affected industries—and would require instructions on how to comply with this unique requirement.

The vast majority of all mortgage loans originated in Maryland, as in the rest of the country, are sold on the secondary market; very few are held by the original lenders. Purchasers of the loans typically pool them into residential mortgage-backed securities, with the loans assigned to passive trusts. This process ensures liquidity and allows lenders to continue making new loans. A majority of the loans are put into loan pools held by so-called “government sponsored entities (GSEs)” such as GNMA or FNMA, but a substantial minority (approximately 25-35% of Maryland loans) are pooled and sold outside of those entities. Prior to the *Brown* decision, trusts holding loans in either system did not require licensing. In the aftermath of the decision and to assuage concerns of lenders threatening the cessation of GSE backed mortgage lending in the State, OFR issued interpretive guidance to clarify that the trusts created by the GSEs were entitled to an existing exemption from licensure. To date, OFR is not aware of significant disruptions to GSE market activity.

As a result of the decision, however, a number of mortgage lenders have stopped funding loans in Maryland. Others have expressed to OFR their unwillingness to continue lending in Maryland if the effects of the decision are not remedied legislatively or if Courts fail to follow OFR’s GSE determination. The decision and the uncertainty it engendered have translated into reduced mortgage loan availability. If this situation continues and other lenders follow suit as threatened, Maryland borrowers’ access to mortgage and other loan types will likely be limited. OFR cannot predict the exact magnitude of lender pull-back, but it is convinced that failure to address this situation through legislation will result in reduced loan options available to borrowers in the State and subsequent harm to the broader housing market. From a historical perspective, Georgia created a similar

compliance requirement in the early 2000s and immediately witnessed significant reductions in mortgage lending, which were only reversed after prompt legislative action. While the Georgia legislature remedied the situation, OFR's understanding is that the market took some time to return to normal and that loans created during the short period when Georgia's licensing requirement was effective still cannot be securitized.

This decision rendered Maryland an outlier in the licensing of passive trusts with increased compliance costs to lenders. Because it is a relatively small market, lenders do not need to make loans in the State. Further, if the effect of this decision stands, national lenders and investors may simply choose to stop originating and purchasing loans in favor of states with less burdensome regulatory frameworks. Given the evidence of early lender withdrawals, such an outcome would result in continuing harm to Maryland borrowers and disrupt mortgage and lending markets, ultimately placing Marylanders at a competitive disadvantage. **OFR strongly urges the Legislature to reverse the effect of the *Brown* decision to ensure that no further harm is done to Maryland's marketplace.**

Importantly, this bill does not reduce consumer protections. Mortgage lenders and servicers remain subject to robust licensing, oversight, and enforcement by OFR to ensure fair lending practices and compliance with state and federal laws. By clarifying that passive entities are not required to be licensed, Senate Bill 1026 preserves the integrity of Maryland's financial regulatory system without diminishing substantive borrower protections. Additionally, in light of the discussion engendered by this situation SB 1026 provides for the establishment of a licensing study group to meet over the summer of 2025 to review Maryland's loan licensing law and make recommendations to the Legislature on any changes to Maryland's licensing system that might potentially strengthen the balance between consumer protection and market competition.

Failure to pass SB 1026 would likely result in a significant fiscal impact on OFR. While OFR is unable to determine with any certainty how many lenders and related trusts would seek licensing instead of withdrawing business, it stands that OFR also cannot reliably estimate the potential revenues that would be collected from licensing fees. However, because of the reasonably expected licensing volume and existing examination requirements under Maryland's Mortgage Law, OFR is certain that from an operational standpoint **it would be unable to meet its statutory licensing and examination obligations without the addition of a substantial number of licensing and examination staff.**

For the reasons outlined above, OFR strongly supports Senate Bill 1026 and urges the General Assembly to pass this legislation to prevent unnecessary regulatory burdens, protect Maryland's mortgage market, and ensure continued access to affordable mortgage loans. We appreciate the opportunity to provide this testimony and are available to provide further information or technical assistance as needed.

**SB1026 - Joint Trade Testimony on COMAR 09.03.06 -**

Uploaded by: DENNIS RASMUSSEN

Position: FAV



February 7, 2025

Ms. Amy Hennen  
Acting Assistant Commissioner for Policy  
Office of Financial Regulation  
1100 Eutaw St. Ste. 611  
Baltimore, MD 21201  
amy.hennen@maryland.gov

**Re: Proposed Changes to Maryland Regulations .02 and .04 Under COMAR 09.03.06  
Mortgage Lenders**

Dear Assistant Secretary Hennen,

The Structured Finance Association (SFA),<sup>i</sup> the Maryland Mortgage Bankers and Brokers Association (MMBBA),<sup>ii</sup> the Mortgage Bankers Association of Metropolitan Washington,<sup>iii</sup> the national Mortgage Bankers Association (MBA),<sup>iv</sup> the Housing Policy Council,<sup>v</sup> the American Fintech Council,<sup>vi</sup> SIFMA<sup>vii</sup> appreciate the opportunity to comment on the emergency amendments to Maryland Regulations .02 and .04 under COMAR 09.03.06 (the “**Regulations**”). In concert with the Regulations, the Office of Financial Regulation (OFR) issued industry guidance (the “**Guidance**”)<sup>1</sup> explaining its intent to implement the OFRs understanding of the holding in *Estate of Brown v. Ward*, 261 Md. App. 385, 396 (2024) decided by the Appellate Court of Maryland.<sup>2</sup>

**I. Executive Summary**

We thank the OFR for its consideration of our comments and recommendations and welcome the opportunity to discuss the points outlined below.

The plain language of the Mortgage Lender Law (“**MLL**”) and the Installment Loan Law (“**ILL**”) do not apply to assignees. Prior to the Guidance, the licensing requirements of both the ILL and the MLL was applied by the OFR exclusively to original creditors and primary market participants, such as brokers, lenders, and servicers. The OFR did not require secondary mortgage market

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

<sup>2</sup> <https://www.courts.state.md.us/data/opinions/cosa/2024/1009s23.pdf>.

purchasers of loans, trusts, and other securitization vehicles to obtain licenses in Maryland. However, the Guidance would appear to require licensing for all subsequent assignees, including whole loan purchasers, trusts and other special purpose entities, absent an exemption.

The OFR's interpretation of the *Estate of Brown* opinion, as set forth in the Guidance, expands the scope of these statutes in a manner not contemplated by the Maryland legislature. The *Estate of Brown* decision addressed home equity lines of credit that were specifically made pursuant to Maryland's Credit Grantor Revolving Credit Provisions ("**OPEC**"). Relying on dicta, the OFR issued Guidance, based on its expansive interpretation of *Estate of Brown*, that subjects all assignees of residential mortgage loans to licensure under the MLL or the ILL, unless exempt.

The OFR's interpretation is an abrupt departure from how Maryland has historically regulated secondary market assignees of residential mortgage loans. The *de facto* retroactive effect of the OFR's implementation of the Guidance and emergency Regulations is antithetical to the normal procedures regarding changes in policy and law, and the approach deprives the secondary market the advance notice and time it needs to obtain the requisite licenses. In almost all instances, a state legislature enacts a licensing requirement **with a prospective effective date**, which in some instances would be implemented by a state agency such as the OFR after giving the impacted parties ample time to obtain licensure. While the OFR has suspended enforcement of the Regulations until April 10, 2025, the Regulations apply to impacted entities as of January 10, 2025. Therefore, other Maryland regulators, the Maryland Attorney General, and private plaintiffs could seek to enforce the Guidance prior to April 10th, leaving unlicensed holders of Maryland residential mortgage loans in a precarious limbo.

Some sectors of the secondary market have responded by excluding Maryland loans from whole-loan bulk purchases and residential mortgage-backed securities transactions, with some investors declining to purchase securities with any Maryland loans in the collateral pool, and the situation could begin to impact the availability of credit to Maryland consumers if, as feared, originators cease making certain residential mortgage loans in Maryland because of the lack of available investors. This licensing requirement creates a logistical nightmare for the secondary market, especially securitization trusts, and unless the OFR's Regulations and Guidance are withdrawn, it could adversely impact the availability of credit to Maryland consumers.

In the absence of a legislative mandate, the OFR appears to have significantly expanded the holding of the intermediate Maryland appellate court without any support from existing Maryland statutes, without full consideration of if and how currently existing entities could comply, without any input from impacted stakeholders and policymakers, and without providing any prior notice. We respectfully urge the OFR to withdraw its Guidance and Regulations to reevaluate and avoid the growing peril to the Maryland residential mortgage market. If the OFR is unwilling to accept this recommendation, it should delay this rulemaking's implementation date by at least a year to allow time to permit the legislature and stakeholders a sufficient opportunity to analyze the impact of the Guidelines and determine alternative solutions.

## **II. Comments and Recommendations**

### **a. The MLL and ILL Do Not Apply to Assignees**

We respectfully submit that the OFR cannot by regulatory fiat create a licensing mandate that is not supported by Maryland's statutes. The MLL only requires a license for a "mortgage lender" which is defined as any person who: (1) is a mortgage broker; (2) makes a mortgage loan to any person; or (3) is a mortgage servicer. Md. Code, FI § 11- 501(k)(1). Similarly, the ILL is confined

to the maker of installment loans and brokers and does not apply to assignees. Md. Code Ann., Fin. Inst. § 11-303. An assignee of a loan is not included in the definition of a lender. Stated differently, a regulator’s interpretation of a statute is legally erroneous where the “interpretation is inconsistent with the plain and unambiguous language of the statute.” *Comptroller of Md. v. FC-GEN Operations Invs. LLC*, 482 Md. 343, 379 (2022); *Md. Small MS4 Coal. v. Md. Dept of the Env’t*, 479 Md. 1 (Md. App. 2022). The plain language of the MLL and the ILL prevent the OFR from issuing any guidance or regulations which would seek to regulate assignees. As discussed below, the Appellate Court of Maryland’s ruling in the *Estate of Brown* case is premised on the licensing requirement of CL § 12-915 and does not support the unduly expansive interpretation put forth by the OFR. An agency cannot issue an interpretation if an interpretive rule’s alleged “clarification” of a rule is in fact creating a new obligation on a regulated party that would otherwise not exist. *Md. Dept of the Env’t v. Cty. Comm’rs*, 465 Md. 169, 287; (2019) (Getty, J., dissenting) (it is improper to “permit the agency, under the guise of interpreting a regulation, to create *de facto* a new regulation”) (quoting *Kisor v. Wilkie*, 588 U.S. 558, 575, 139 S. Ct. 2400, 2415 (2019)).

#### **b. The *Estate of Brown* Case Does Not Require the Sweeping Changes Reflected by the OFR’s Guidance and Regulations**

While the court in the *Estate of Brown* case discusses the common law rule that an assignee steps into the shoes of a creditor, that additional analysis is *dicta*, and not part of the holding of the case. The court discussed and quoted *Nationstar Mortg. LLC v. Kemp*, 476 Md. 149, 153 (2021), which stated, “the assignee of a mortgage loan generally has the same rights and responsibilities as its assignor ....” *Estate of Brown v. Ward*, 261 Md. App. 385, 416-17 (2024) (quoting *Nationstar Mortg. LLC v. Kemp*, 476 Md. at 174). This rationale is used to, for the first time, expand the licensing requirement found in OPEC to apply it to assignees and does not stand for the proposition that assignees must be licensed under the MLL or the ILL generally. As previously noted, the plain language of the MLL and the ILL precludes this interpretation.

The *Estate of Brown* case involved a HELOC, which further included a specific election in the note stating that “This loan is made under Subtitle 9, Credit Grantor Revolving Credit Provisions of Title 12 of the Commercial Law Article of the Annotated Code of Maryland.” *Estate of Brown v. Ward*, 261 Md. App. 385, 397 (2024). The court reviewed the licensing requirement of OPEC, which states, “[a] credit grantor making a loan or extension of credit under this subtitle is subject to the licensing, investigatory, enforcement and penalty provisions of [the ILL] ... [and/or] ... [the MLL].” Md. Code Ann., Com. Law § 12-915; *Estate of Brown*, 261 Md. App. at 412-13. The appellate court of Maryland held that the licensing requirement contained in OPEC applied to assignees of revolving credit plans. *Estate of Brown*, 261 Md. App. at 422.

The court’s holding is limited to an interpretation of OPEC, and specifically, the licensing requirement of CL 12-915. Indeed, in rejecting various arguments raised by the appellees, the court expressly stated that it was of no import that the MLL does not impose an independent licensing obligation on an assignee because the “licensing argument is founded **entirely** on the Credit Grantor Revolving Credit Provisions subtitle. Specifically, [the argument] **relies on CL § 12-915 as the source of the licensing obligation.**” *Id.* at 422 (emphasis added). While this analysis is itself wrong – nothing in the OPEC statute actually imposes this purported assignee licensing obligation – even under its logic there is no basis to extending it more broadly to mortgage loans. The court acknowledged that, without CL § 12-915, a trust would not need a license and stated, “[t]he conclusion that a trust merely owning a defaulted mortgage loan is not a ‘mortgage lender’ within the meaning of [the MLL] does not answer the question of whether a trust might be subject to the licensing requirements imposed on a ‘credit grantor’ by a different statute.” *Id.* at 422. Thus, requiring a license for assignees under the MLL, independent of a

licensing requirement under CL § 12-915 is contradictory to the holding of the case. We respectfully submit that OFR's interpretation goes beyond the decision in *Estate of Brown* and exceeds the statutory authorities granted by the legislature. As such, OFR should withdraw the Guidance and Regulations and work with stakeholders to address the issues that prompted the Department to issue them.

If OFR decides to issue revised guidance and regulations, it should confine its interpretation to the holding of the *Estate of Brown* case: loans which make an election to be governed by OPEC. In order for a loan to be subject to OPEC, the lender ordinarily makes a written election to do so in the agreement, note, or other evidence of the extension of credit. See Md. Code Ann., Com. Law § 12-913. As the facts of *Estate of Brown* demonstrate, the HELOC at issue contained such an election, which read, "This loan is made under Subtitle 9, Credit Grantor Revolving Credit Provisions of Title 12 of the Commercial Law Article of the Annotated Code of Maryland." Thus, under the plain reading of the case, only loans which make an OPEC election, via a statement in the note, would be subject to the holding of the case.

The precedential value of the *Estate of Brown* case is further limited because the appellees "d[id] not argue that [the trust] qualifies for any of the express exemptions set forth in [the Credit Grantor] subtitle or in the related provisions of the Financial Institutions Article." *Estate of Brown*, 261 Md. App. at 415. As a result, the OFR can provide clarity and assurances that trusts and other secondary market participants are not within the scope of the holding. For example, the Maryland Mortgage Lender Law exempts "[a]ny bank, trust company, savings bank, savings and loan association, or credit union incorporated or chartered under the laws of this State or the United States or any other-state bank having a branch in this State" Md. Code Ann., Fin. Inst. § 11-502(b)(1). Such exemption also applies to subsidiaries and affiliates of exempt institutions. *Id.* A trust, which generally has a federally chartered depository institution trustee, which acts on behalf of the trust that holds the loans, should be considered within the scope of the exemption. Illustrating this, on January 31, 2025, OFR issued similar guidance stating that "trusts created by [exempt] corporate instrumentalities of the Government of the United States are themselves corporate instrumentalities ... and therefore are not subject to licensure by OFR."<sup>3</sup> There is no reason OFR cannot issue further supplemental guidance to provide assurances that other secondary market participants are within the scope of these various exemptions. In considering exemptions, the role of federal preemption is paramount. For example, in *Watters v. Wachovia Bank, N.A.*, 550 U.S. 1 (2007), the Supreme Court of the United States noted the state licensing and registration requirements at issue in that case expressly exempted national banks from their application. As the Supreme Court explained, that exemption for national banks was "not simply a matter of the [state] legislature's grace.... For, as the parties recognize, the [National Bank Act] would have preemptive force, *i.e.*, it would spare a national bank from state controls of the kind here involved." See *also* OCC Interpretive Letter 1167. We respectfully submit that the OFR lacks the authority to require national bank trustees to act as qualifying individuals related to the licensing of trusts. The Regulations attempting to establish as much are preempted and warrant reconsideration.

### **c. The Retroactive Effect of the Guidance and Regulations Is Improper**

"[A]dministrative agencies do not possess unfettered discretion to issue policies through whatever procedure they choose. [The Maryland Supreme Court has] noted repeatedly that an administrative agency's discretion should be limited where it (1) changes existing law, (2) applies

---

<sup>3</sup> <https://www.labor.maryland.gov/finance/advisories/advisory-ind-licensereqmorttrustcorpinst.pdf>.



new standards retroactively, or (3) creates rules of widespread application.” *Balt. City Bd. of Sch. Comm’rs v. City Neighbors Charter Sch.*, 400 Md. 324, 360-61 (2007) (Raker, J., dissenting); see also *CBS, Inc. v. Comptroller of Treasury*, 319 Md. 687, 695 (1990) (“rulemaking ... procedure[s] add[] an aspect of fairness when an agency intends to make a change in existing law or rule. That fairness is produced by prospective operation of a new rule and by the public notice, public hearing, and public comment processes that accompany rulemaking”).

We respectfully submit that the manner in which the OFR promulgated the Guidance and Regulations is highly problematic and exposes the secondary market to the risk of costly litigation and potential unwarranted liability as well as obstacles to exercising its remedies in connection with the Maryland loans that are currently held. While the OFR stayed the enforcement of the Guidance and the Regulations until April 10, 2025, the Guidance and Regulations took effect immediately upon their release on January 10, 2025, which does not give entities the requisite time to obtain the mandated licenses. Consequently, purchasers and assignees of Maryland residential mortgage loans, including passive trusts in residential mortgage-backed securities – which have up to this point not been required to be licensed in Maryland – are facing great uncertainty with respect to their obligations in light of the newly mandated licensing requirement. This is especially true if the Guidance is meant to apply retroactively to all loans purchased prior to the announcement. While the OFR has paused enforcement, that stay does not prevent other Maryland regulators, the Attorney General’s office, or courts from taking actions that could impair existing pools of Maryland loans held in the secondary market. Allowing the Guidance and Regulations to remain in effect under these circumstances creates too much uncertainty and deprives secondary market holders of due process.

**d. Both Originators and Secondary Market Participants Will Withdraw from the Maryland Market and Mortgage Loans Will Become More Expensive for Maryland Residents.**

We are also deeply concerned about the impact of the Guidance and Regulations on the cost and availability of certain forms of residential mortgage credit in Maryland. Our organizations have received credible reports from our members regarding industry participants reducing or suspending their purchases of Maryland loans and excluding them from bulk loan purchases and securitizations, as well as investors declining to purchase securities backed by even one Maryland loan. We have heard that certain originators are no longer making Maryland loans.<sup>4</sup> Consequently, due to the reduced liquidity for Maryland loans in the secondary market, we expect some Maryland consumers to incur higher borrowing costs when they purchase homes or refinance existing loans. Further, there are indications that key secondary market arbiters are alarmed by the OFR’s Guidance. For example, on January 16, 2025, the rating agency KBRA released a statement indicating that the OFR’s actions could pose a roadblock to securitization and expressed concern about the new licensing requirement for passive trusts. KBRA noted, in relevant part, that “a literal reading [of the Guidance] could impair the viability of securitization financing for Maryland loans.” In short, borrowers in Maryland will lose access to several sources of consumer credit and the remaining available consumer credit will be priced at a premium.

We acknowledge the OFR’s January 31, 2025 “Supplemental Guidance for Mortgage Trusts Made by Corporate Instrumentalities” which reaffirms that Fannie Mae, Freddie Mac, and Ginnie Mae and their trusts are not subject to licensure by the OFR. However, this supplemental guidance

---

<sup>4</sup> See Inside Mortgage Finance, *PHH Pauses Non-Agency Mortgage Originations in Maryland*, February 7, 2025 available at <https://www.insidemortgagefinance.com/articles/233368-phh-pauses-non-agency-mortgage-originations-in-maryland?v=preview>

is unhelpful to the secondary market because, unless exempt, secondary market purchasers of Maryland mortgage loans who sell loans to Fannie Mae and Freddie Mac and include Maryland mortgage loans in RMBS transactions issued or guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae must still be licensed—and would be in breach of their representations and warranties to these entities, and be in violation of their seller/servicer contracts, in the absence of such license. Additionally, in an updated release issued on February 3, 2025, KBRA acknowledged the OFR's January 31, 2025 supplemental guidance, but expressed concern, indicating that “[t]he specific exclusion of non-Agency loan programs from the January 31 release is concerning, and a literal reading could impair the viability of securitization financing for Maryland loans in the non-Agency markets. Some market participants have discussed whether the rule applies to common law trusts or to statutory trusts, and whether federal preemption considerations for trustees subject to Office of the Comptroller of the Currency (OCC) oversight apply. The outcomes remain uncertain.”

#### **e. Risks to Maryland Consumers Are Not Just Theoretical**

We respectfully submit that, unless the OFR adopts the recommendations in this letter, Maryland consumers could pay more for their loans or face the specter of losing access to some forms of credit altogether. The enactment of the Georgia Fair Lending Act (GFLA), O.C.G.A. §7-6A-1 *et seq.*, passed on April 22, 2002, and effective on October 1, 2002, is instructive because the unintended effect of the statute was the complete freezing of residential credit markets in Georgia. As originally enacted, the GFLA placed restrictions and prohibitions on three distinct categories of loans, namely, “home loans,” “covered home loans,” and “high-cost loans.” Importantly, the GFLA originally defined “creditor” to include purchasers, assignees and servicers, meaning such down-stream or secondary mortgage market participants were subject to the GFLA. GFLA was plagued with ambiguities that created uncertainties for the secondary market, especially for RMBS transactions. In January 2003, the credit rating agency Standard & Poor's (“S&P”) announced it would stop rating mortgage-backed securities in Georgia because of the uncertainty surrounding potential liability under the act. S&P's decision extended to securitizations of virtually all loans in that state. The two other major credit rating agencies, Moody's and Fitch also declared that the law would limit their ability to rate mortgage-backed securities in Georgia. Shortly thereafter, most mortgage lenders announced that they would stop doing business in Georgia due, in large part, to their inability to include Georgia loans in RMBS transactions. As a result, virtually the entire secondary market withdrew from Georgia until the legislation was amended with important clarifications.<sup>5</sup> Once the amended GFLA took effect on March 6, 2003, mortgage lending recommenced in Georgia. The amended GFLA did not have retroactive effect to the original October 1, 2002, implementation date, and for years loans originated under the original statutes (*i.e.*, October 1, 2002 through March 5, 2003) were considered unsalable in the secondary market.

The GFLA sent shockwaves through the mortgage industry, from rating agencies to purchasers and lenders. So too here, OFR's Guidance calls into question not just assignee liability, but the very enforceability of loans held by trusts who have never been required to have a license. As KBRA's letters indicate, the secondary market remains skeptical as to the viability of Maryland loans, even after OFR's supplemental January 31 guidance. Without adequate assurances, the uncertainty regarding the ability to rate Maryland loans and the reluctance of investors to purchase loans will in turn decrease the availability of credit in the market, which will in turn drive up costs

---

<sup>5</sup> See *Inside Mortgage Finance, GSEs Also Appear to Have Withdrawn From Georgia*, March 3, 2003 available at <https://www.insidemortgagefinance.com/articles/171641-gses-also-appear-to-have-withdrawn-from-georgia?v=preview>. See also GAO report number GAO-04-280 at 86, <https://www.gao.gov/assets/gao-04-280.pdf>.

to consumers because lenders will attempt to recoup their costs through various measures, including raising interest rates on their loans.<sup>6</sup>

#### **f. The Regulations Do Not Adequately Address the Impracticality of Licensing**

The Regulations make three amendments to the existing regulations for Mortgage Lenders:

1. Defines a “passive trust” as a trust that: (i) acquires mortgage loans that are serviced by others; (ii) does not make mortgage loans; (iii) is not a mortgage broker or mortgage servicer; (iv) receives all periodic mortgage loan payments through a mortgage servicer; and (v) is not engaged in the day-to-day servicing of mortgage loans.
2. Updates the definition of a “principal officer” for licensing purposes for passive trusts to include either: (i) the trustee; or (ii) if the trustee is not a natural person, a person who would be deemed a principal officer of the trustee.
3. Simplifies the net worth requirement for licensing purposes so that a passive trust whose only assets will be mortgage loans which it does not yet hold will be deemed to satisfy the net worth requirement at the time of application if the passive trust provides evidence that it holds or will hold sufficient assets to satisfy the net worth requirement within 90 days of licensure.

Despite the changes made by the OFR in the Regulations to provide a mechanism to license passive trusts, it is not feasible for such entities to become licensed in Maryland. It is simply not possible for passive trusts, which have no dedicated employees or net worth, to comply with the extensive list of licensing requirements imposed by the Regulations. Passive trusts do not employ a “principal officer” let alone a person with three years of experience in the mortgage lending business. Bank trustees and their officers do not customarily participate in the state licensing process on behalf of their clients. Trusts are often created only a few weeks before the closing of a securitization and, even if a rapid license approval process were possible, the trusts would not be able to provide the multitude of documents required for licensing such as audited financial statements, policies and procedures, sample documents, a surety bond, and other documentation that would not exist for a passive vehicle with no assets, employees, or business presence. Further, for existing trusts that hold Maryland loans, the governing trust documents cannot be easily amended to retroactively license the trust, and the sheer number of such trusts make any effort to do so impractical. To avoid these complications, industry participants may choose to simply exclude Maryland loans from future securitizations.

**Retroactive Application of OFR’s Proposal Appears Infeasible:** An initial estimate from vendor data shows that there are at least 9,000 existing securitization trusts with loans from Maryland. Even if some trusts are exempt under OFR’s supplemental guidance, the estimate does not include the number of individual entities that hold mortgage loans as investments, which could number in the hundreds or more. As a general matter, securitization trusts are designed to be static vehicles and generally are not equipped to do things such as retroactive licensing. The duties of a securitization trustee are typically spelled out specifically in the trust’s organizing documents, and trustees generally cannot act outside the bounds of those documents without specific direction from noteholders and indemnification rights, among other things. Entities have also raised concern about the capacity of Maryland authorities to license such a large number of

---

<sup>6</sup> See Zvi Bodie *et al.*, Investments, 16 (McGraw-Hill 8th ed. 2009) (the ability to sell loans increases credit availability). See also Office of the Comptroller of the Currency, Comptroller’s Handbook: Mortgage Banking, 12 (Feb. 2014), available at <https://www.occ.gov/publications/publications-by-type/comptrollers-handbook/chmortgage-banking.pdf>.

entities in a short timeframe. As a practical matter, the licensing of as many as 9,000 new entities under a novel licensing requirement presents tremendous operational challenges for the Conference of State Bank Supervisors (CSBS). As the organization with ownership of the Nationwide Multistate Licensing System (NMLS), the sudden nature of the OFR's guidance, even with a delayed compliance date, will require CSBS to ramp up operations and prepare staff to process this large volume increase. Public facing instructions and other materials such as procedures and frequently asked questions will also be needed. At this stage of implementation, a review of the Maryland pages of NMLS.org offers no specific information on how trusts are to comply with OFR's guidance,<sup>7</sup> even though OFR directed entities to contact the NMLS for assistance with licensing. CSBS must be part of any process to scale up licensing requirements.

**Forward Application is Also Challenging:** The Regulations require any assignee of Maryland mortgage loans to become licensed, absent an exemption. However, 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. For example, a securitization “depositor” may only hold a loan for moments, as it is a legal entity set up to convey loans from originators into a securitization trust. This would not only increase the burden on secondary market participants but also on the state of Maryland.

It is unlikely that OFR has adequate staffing to process the multitude of applications that would need to be approved by April 10, 2025. Such a large change in licensing process typically calls for a delay in effective date for two years or more, not mere months. See, e.g., 2020 Cal ALS 163; 2020 Cal SB 908; 2020 Cal Stats. ch. 163 (passing the California Debt Collection Act in 2020 but allowing a two-year period for applications such that the law was not operative until January 1, 2022).

#### **g. Additional Time is Needed to Allow Policymaker Input**

In order to avoid the negative consequences discussed above, that could result from the January 10 effective date of the Guidance, and given the fact that there is no legislative mandate from existing Maryland statutes to license the secondary market, we respectfully submit that the OFR should withdraw or, at minimum, pause the effective date of the Guidance and Regulations and allow the legislature to analyze the impact of the OFR's actions and devise reasonable legislative alternatives. We understand there may be a legislative alternative to the *Estate of Brown* decision and the Guidance and Regulations. In the interim, we urge the OFR to consider withdrawing or postponing the effective date of the Guidance and Regulations.

#### **h. Licensing of Passive Trusts Does Not Enhance Consumer Protection**

The licensing of passive trusts does not enhance consumer protections while placing substantial, if not insurmountable, burdens on the secondary market. In fact, as described below, passive trusts have no dedicated employees, are not capitalized, and in the case of common law trusts, which are often used in RMBS transactions, are not even considered stand-alone entities. The licensing of passive trusts achieves no marketplace benefits, and adding an extra level of oversight and supervision to these entities is unnecessary. The OFR exercises sufficient oversight over the residential mortgage industry in Maryland. The OFR licenses mortgage originators, brokers, mortgage loan originators, and servicers. Additionally, FHA, VA, Ginnie Mae, the GSEs, and warehouse lenders all exercise regular counterparty oversight, established minimum financial standards, and require regular financial reporting. Licensing of trusts does not suddenly close a

---

<sup>7</sup> <https://mortgage.nationwidelicencingsystem.org/slr/SitePages/DynamicLicenses.aspx?StateID=MD>.

perceived gap in this vast oversight regime and offers no additional consumer protections. Thus, OFR can withdraw its Guidance and the Regulations without jeopardizing Maryland borrowers.

All parties substantially involved in the mortgage lending business, and particularly those who interact with consumers, are licensed, either as originators, brokers, or servicers under the MLL. Md. Code Ann., Fin. Inst. § 11-501(k)(1). OFR already heavily regulates purchasers of mortgage servicing rights, see Md. Code Regs. 09.03.06.02(31)(b)(ii); 09.03.06.27, thus reaching those secondary market participants for which oversight may be needed. No additional benefit exists to the unnecessary burden of regulating and licensing the largely passive entities that purchase and securitize mortgage loans on the secondary market. This conclusion is settled law in Maryland. In a remarkably similar matter, reviewing whether foreign statutory trusts should obtain a license under Maryland’s Collection Agency Licensing Act (“MCALA”), the Maryland Supreme Court outright rejected the notion and stated, “the foreign statutory trusts that own the mortgage loans in the cases *sub judice* do not have any employees or offices, do not have any registered agent, and do not have any specifically identified pursuit in the State of Maryland.... Therefore, it would be hard for this Court in the first instance to conclude that the foreign statutory trusts engage, either directly or indirectly, in the business of a collection agency when it is hard to deduce if these entities are even conducting ‘business’ ....” *Blackstone v. Sharma*, 461 Md. 87, 118 (2018).

### III. Conclusion

We respectfully submit that OFR’s Guidance and Regulations erroneously expand the holding of the *Estate of Brown* case beyond loans that make an OPEC election—and create a retroactive licensing requirement for purchasers and assignees of residential mortgage loans that is not supported by existing Maryland statutory law. We urge the OFR to withdraw the Guidance and Regulations and allow policymakers and stakeholders an opportunity to resolve the issue starting with Maryland’s 2025 legislative session. Pausing or withdrawing the Guidance and Regulations is also necessary to ensure due process to secondary market holders of Maryland mortgage loans and the continued stability of Maryland’s mortgage market. We are concerned that absent a correction, investors will cease funding and purchasing Maryland loans, which will decrease the availability – and increase the cost – of credit in the market. The OFR should revise the Guidance and Regulations based on policymaker and stakeholder input, acknowledge the limit of *Estate of Brown*, and consider the existing statutory requirements of the MLL and ILL. At a minimum, the OFR should delay the effective date of the Guidance and Regulations to address these issues. The undersigned organizations look forward to working with OFR to address any concerns and fashion a solution that is practical while also protecting Maryland consumers and preserving their access to affordable financial services.

\* \* \* \* \*

We appreciate the opportunity to provide these comments. Should you wish to discuss any matters addressed in this letter further, please contact [Dallin.Merrill@StructuredFinance.org](mailto:Dallin.Merrill@StructuredFinance.org).

Respectfully submitted by the following organizations:

American Fintech Council  
Housing Policy Council  
Maryland Mortgage Bankers and Brokers Association  
Mortgage Bankers Association  
Mortgage Bankers Association of Metropolitan Washington

SIFMA  
Structured Finance Association

## Appendix of authors

---

<sup>i</sup> The SFA is a consensus-driven trade association with over 370 institutional members representing the entire value chain of the United States securitization market. By facilitating responsible issuance and investing of loans and securities, the market provides trillions of dollars of capital to consumers and businesses in communities across the country. SFA members include issuers and investors, broker-dealers, rating agencies, data analytic firms, law firms, servicers, trustees, and accounting firms. While our members often have conflicting views and conflicting interests, our governance structure requires consensus from all stakeholder groups before taking an advocacy position on legislative or regulatory matters. As such, when we do provide feedback, we do so in a manner that reflects the view of the entire market ecosystem.

<sup>ii</sup> The Maryland Mortgage Bankers and Brokers Association (MMBBA) is an organization committed to helping its members conduct business and ensuring the continued strength of the real estate finance industry and mortgage lending field in the state of Maryland. We possess a steadfast dedication to promote ethical business practices and integrity-based lending. We continually strive to help our members provide superior financial loan services to residents of Maryland and expand homeownership statewide. On an ongoing basis, the association provides our members with useful and informative continuing education programs, workshops, conferences and seminars to help them grow in their careers. We serve as an advocate for the mortgage banking industry, constantly staying abreast of key legislative and regulatory issues at the state and local levels while representing the interests of our members.

<sup>iii</sup> The Mortgage Bankers Association of Metropolitan Washington is the largest organization representing residential and commercial real estate finance industry professionals in the Washington, DC metropolitan area. Our 95 member companies include all elements of residential, commercial and multifamily real estate finance: mortgage companies, mortgage brokers, wholesale and correspondent lenders, commercial banks, life insurance companies, law firms, title companies, appraisal companies and other companies involved in mortgage lending and affiliated industries.

<sup>iv</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 275,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,000 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

<sup>v</sup>The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers; mortgage, hazard, and title insurers; and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families. For more information, visit [www.housingpolicycouncil.org](http://www.housingpolicycouncil.org).

<sup>vi</sup>A standards-based organization, the American Fintech Council (AFC) is the premier trade association representing the largest financial technology (Fintech) companies and innovative banks offering embedded finance solutions. AFC's mission is to promote a transparent, inclusive, and customer-centric financial system by supporting responsible innovation in financial services and encouraging sound public policy. AFC members foster competition in consumer finance and pioneer products to better serve underserved consumer segments and geographies. AFC's membership spans lenders, banks, payments providers, loan servicers, credit bureaus, earned wage access providers, and personal financial management companies.

<sup>vii</sup> 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. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.



**SB1026 - MBA-MMBBA-MBAMWA - FAV.pdf**

Uploaded by: DENNIS RASMUSSEN

Position: FAV



**Testimony offered on behalf of:**

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

---

**IN SUPPORT OF:**

**SB 1026 – 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 the sponsor's introduction of **SB1026 – the Maryland Secondary Market Stability Act of 2025.** **Our organizations fully support your 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.

This bill is necessary to address the unintended consequences of guidance<sup>1</sup> and emergency regulations<sup>2</sup> issued on January 10, 2025, by OFR to implement a 2024 ruling of the Maryland Appellate Court in the case, *Brown v. Ward*.<sup>3</sup> 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.

SB1026 would create the necessary exemptions for trusts under the law to restore normal credit access to Maryland consumers.

It is important to state that the legislation 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

---

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

<sup>2</sup> [https://dsd.maryland.gov/MDRIssues/5201/Assembled.aspx#\\_Toc187062312](https://dsd.maryland.gov/MDRIssues/5201/Assembled.aspx#_Toc187062312)

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

new requirements and the swift market reaction. On February 18, 2025, following introduction of **SB1026**, 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.”<sup>4</sup>

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 the bill 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 you Madam Chairman for your leadership in introducing **SB1026**, 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](mailto:dfr@rasmussengrp.net).

Respectfully submitted,

*Timothy J. Gough*

**MMBBA Legislative Committee**

**[tgough@baycapitalmortgage.com](mailto:tgough@baycapitalmortgage.com) – (410) 320-0852**

---

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



**Testimony offered on behalf of:  
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION,  
INC.**

---

**IN SUPPORT OF:  
SB 1026 – Financial Institutions – Consumer Credit –  
Application of Licensing Requirements  
(Maryland Secondary Market Stability Act of 2025)**

**Senate Finance Committee  
Hearing – 3/11/2025 at 1:00 PM**

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

**STRONGLY SUPPORTS SENATE BILL 1026 – 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.**

03/07/2025

SB1026

For these reasons, the MMBBA **STRONGLY** supports SB1026 and requests a favorable Committee report.

Respectfully submitted,

*Timothy J. Gough, CMB*

MMBBA President

[tgough@baycapitalmortgage.com](mailto:tgough@baycapitalmortgage.com) - (410) 320-0852

**SB1026 - MBA - FAV - GR25.pdf**

Uploaded by: Evan Richards

Position: FAV



**SB 1026 - Financial Institutions - Consumer Credit - Application of Licensing Requirements  
(Maryland Secondary Market Stability Act of 2025)**

**Committee:** Senate Finance Committee

**Date:** March 11, 2025

**Position:** Favorable

The Maryland Bankers Association (MBA) **SUPPORTS** HB 1516. This legislation, as drafted, exempts secondary mortgage market participants who do not buy, sell, or service mortgages from licensing requirements. This legislation also creates a Maryland Licensing Working Group that is tasked with studying the licensing of providers of financial services and making recommendations on how to improve licensing.

Earlier this year, Maryland's Office of Financial Regulation (OFR) issued [guidance](#) based on the decision rendered in *Estate of Brown v. Ward* last year. The guidance, which was much more expansive than the finding in the court case, stated that all assignees of mortgage loans are subject to licensing, even if they are only active on the secondary market. Traditionally, only those participating in the primary market, such as creditors and servicers, needed to be licensed. Now, entities such as a passive mortgage trust need to be licensed, even though the trust does not buy, sell, or service mortgages.

When Maryland banks make mortgage loans, they sell these loans into the secondary market, which in return provides them with additional liquidity to make additional mortgage loans. The mortgage market in Maryland was rattled by OFR's guidance, with OFR admitting in [later guidance](#) that some have suspended mortgage operations in Maryland. If the ruling in *Estate of Brown v. Ward* were to remain law, there would continue to be a reduction in secondary market participants, which ultimately means that Marylanders would have a much harder time buying a home.

HB 1516 will ensure that Maryland continues to have a healthy secondary mortgage market. Accordingly, MBA urges issuance of a **FAVORABLE** report on HB 1516.

*The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding more than \$194 billion in deposits in over 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.*



# **SB1026 Rocket FAV.pdf**

Uploaded by: Keith Walmsley

Position: FAV



March 1, 2025

Chair Beidle  
Senate Finance Committee  
3 East Miller Senate Office Building  
Annapolis, Maryland 21401

**Re: Testimony in Support of Senate Bill 1026: Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)**

Dear Chair Beidle,

It is my pleasure to offer testimony today in support of **Senate Bill 1026: Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)**. If enacted, this bill would create the necessary changes to statute to provide the Maryland Office of Financial Regulation ("OFR") with the clarity and tools needed to bring stability back to the secondary mortgage market for Maryland loans. Given the difficult interpretive issues raised by *Estate of Brown* (as discussed below) and the court's partial reliance on Maryland common law to support its ruling, Rocket Mortgage views a legislative fix as the most effective means to ensure liquidity is available in the Maryland mortgage market to assist Maryland consumers with their mortgage financing needs.

***Estate of Brown***

*Estate of Brown v. Ward* concerned a home equity line of credit ("HELOC") expressly made subject to Maryland's Credit Granter Revolving Credit Provisions ("OPEC").<sup>1</sup> In analyzing whether the party seeking to foreclose on the HELOC in the case was a "credit granter" pursuant to OPEC, which would require the party to be appropriately licensed or exempt under OPEC, the court noted the statutory definition of "credit granter" expressly includes an assignee.<sup>2</sup>

The court also cited several times to a Maryland Supreme Court case interpreting Maryland common law to dictate "the assignee of a mortgage loan generally succeed[s] to the same rights and obligations of the original lender."<sup>3</sup> In *Kemp*, the Maryland Supreme Court proffered that "statutes are not construed to repeal the common law by implication" in determining an assignee was subject to the statutory fee restrictions at issue in that case.<sup>4</sup>

Relying on both Maryland common law pertaining generally to assignees and the explicit inclusion of assignees in OPEC's definition of "credit granter," the court in *Estate of Brown* held the licensing requirements in OPEC apply to assignees, absent an exception.<sup>5</sup> Importantly, the court in *Estate of Brown* explicitly cabined its decision to OPEC by explaining "it makes little

---

<sup>1</sup> 313 A.3d 630, 637 (Md. App. 2024).

<sup>2</sup> *Id.* at 646-47 ("The current definition of 'credit granter includes . . . [a]ny person who acquires or obtains the assignment of a revolving credit plan made under [OPEC].") (quoting Md. Comm. Law § 12-901(f)(2)(iii)).

<sup>3</sup> *Estate of Brown*, 313 A.3d at 648 (quoting *Nationstar Mortg. LLC v. Kemp*, 476 Md. 149, 153 (2021)).

<sup>4</sup> 476 Md. at 177-78.

<sup>5</sup> 313 A.3d at 656.

difference whether the Maryland Mortgage Lender Law also imposes an independent licensing requirement."<sup>6</sup> The court additionally distinguished the instant case from a line of cases holding certain trusts did not satisfy the statutory definition of "mortgage lender" under the Maryland Mortgage Lender Law because that line of cases "has no direct application to the issues presented" in *Estate of Brown* as those cases "do not concern revolving credit plans or the licensing requirements of [OPEC]."<sup>7</sup> Moreover, the court expressly did not analyze any licensing exemptions as the party seeking to foreclose did not argue that it qualified for any statutory exemption from OPEC's licensing requirements.<sup>8</sup>

## Regulations

In response to the April 2024 decision in *Estate of Brown*, the Office of Financial Regulation (OFR) adopted emergency regulations that mirror proposed regulations (collectively, "Regulations") on January 10, 2025.<sup>9</sup> Recognizing the operational difficulties in subjecting passive investment entities merely holding Maryland mortgage loans as assignees to the OFR's mortgage licensing requirements, the Regulations sought to "allow[] entities whose structure would otherwise make it excessively burdensome to obtain a license."<sup>10</sup>

The Regulations amend the OFR's existing licensing regulations by defining a "passive trust," tweaking the definition of "principal officer" for passive trusts, and altering net worth requirements for passive trusts to enable such entities to meet net worth requirements within ninety (90) days of initial licensing. Rocket Mortgage welcomes the OFR's intent to provide a "feasible avenue" to licensure for passive mortgage investment entities; however, the relative flexibilities introduced by the Regulations do not go far enough. Among the Regulations' tailored requirements for passive trusts is the designation of a principal officer, who still must maintain at least three (3) years of experience in the mortgage lending business. Even with the Regulations allowing a trustee or a principal officer of a trustee to satisfy this prior mortgage experience requirement, licensing of these entities is still not practical as these entities typically do not maintain dedicated employees and trustees do not normally undertake any mortgage lending activity. Additionally, it is not clear how or whether the OFR would exercise its supervisory and other authority over these entities, making it significantly more unlikely a trustee agrees to take on these currently nebulous obligations.

## Rescind or Revise the Guidance

The Regulations' practical shortcomings are exacerbated by the overly broad coverage of the OFR's accompanying January 10, 2025 Guidance on Licensing Requirements for Mortgage Trusts ("Guidance").<sup>11</sup> As detailed previously, *Estate of Brown* only concerned licensing obligations relating to HELOCs under OPEC and the court there refused to address the independent licensing obligations in the Maryland Mortgage Lender Law. The sweeping scope

---

<sup>6</sup> *Id.* at 653.

<sup>7</sup> *Id.* at 654.

<sup>8</sup> *Id.* at 650.

<sup>9</sup> 52:1 Md. R. 17, 27-33.

<sup>10</sup> *Id.* at 28.

<sup>11</sup> Available at <https://content.govdelivery.com/accounts/MDDLRL/bulletins/3cba11c>.

of the Guidance applying to "all mortgage loans" presumably stems from the *Estate of Brown* court's reliance on Maryland common law; however, nothing in *Estate of Brown* required the OFR to extend the holding beyond HELOCs governed by OPEC.

The OFR rightly identified the significant impact the Guidance would have on entities the OFR never previously subjected to licensure by suspending enforcement activities for such entities through April 10, 2025. Nevertheless, the Regulations are in effect today and can presumably be leveraged by private litigants and other enforcement entities, such as the Maryland Attorney General. Given the expansive scope of the Guidance reaching far beyond the circumstances at issue in *Estate of Brown*, Rocket Mortgage respectfully requests the OFR immediately rescind the Guidance or materially revise it only to address the holding of *Estate of Brown*. Such rescission or revision of the Guidance would address the negative market and consumer impacts highlighted below, and allow the Maryland legislature an opportunity to weigh in on the important assignee licensing issues raised by the decision in *Estate of Brown*.

### **Market and Consumer Impacts**

In the immediate aftermath of the Guidance and Regulations, a number of outlets stressed the uncertainty created by the Guidance and the potential impact to the primary and secondary Maryland mortgage markets.<sup>12</sup> More specifically, the bond rating agency Kroll speculated the Guidance "could impair the viability of securitization financing for Maryland loans" and "[s]ecuritization liquidity for Maryland loans could be significantly curtailed."<sup>13</sup> These outlets also drew similarities between the Guidance and a 2002 change to the Georgia Fair Lending Act that froze the non-Agency mortgage market for Georgia loans and led to exclusions of Georgia loans from many securitizations until the Georgia legislature fixed the issue the following year.

Based on other publications and Rocket Mortgage's trusted industry contacts, certain mortgage backed security issuers are excluding Maryland loans from transactions. Large mortgage aggregators are not currently purchasing certain Maryland loans, and other entities have stopped particular lending efforts in Maryland.<sup>14</sup> Indeed, Rocket Mortgage faced similarly difficult decisions relating to its Maryland mortgage loan production in the aftermath of the Regulations and Guidance. Prior to the issuance of the Supplemental Guidance detailed below, Rocket Mortgage considered shuttering all Maryland loan production given the uncertainty caused by the OFR's efforts to align its licensing regime with *Estate of Brown*. Although Rocket Mortgage continues to originate Maryland mortgages, it has excluded certain non-Agency production from multiple securitization deals over the past several weeks to ensure alignment with the Guidance and Regulations.

If clarity and resolution are not brought to the non-Agency mortgage market, Rocket Mortgage and other market participants will be forced to reassess their efforts relating to Maryland mortgages. In particular, if Rocket Mortgage cannot include its non-Agency loan production

---

<sup>12</sup> See, e.g., *Maryland Licensing Rule: Roadblock for Mortgage Securitization?*, Kroll Bond Rating Agency, LLC (Jan. 16, 2025).

<sup>13</sup> *Id.*

<sup>14</sup> See, e.g., *Maryland Licensing Regulation a Major Issue for MBS*, Inside Mortgage Finance (Jan. 24, 2025).

(such as its originations for closed-end subordinate lien loans) in securitizations going forward, it may be forced to increase the pricing of such products or otherwise discontinue offering such products in Maryland. This will in turn make it more costly for Maryland consumers to obtain mortgage credit and may ultimately limit mortgage credit products available to Maryland consumers. Given the current interest rate environment and the lack of an Agency market to meaningfully support closed-end subordinate lien mortgages, Maryland consumers may be forced to leverage more costly alternative products to meet their financial needs.

### **Supplemental Guidance and Need for Additional Guidance**

The OFR's January 31, 2025 Supplemental Guidance on Licensing Requirements for Mortgage Trusts Made by Corporate Instrumentalities ("Supplemental Guidance") helpfully removed substantial uncertainty from the Agency mortgage market that was previously significantly concerned with the continued viability of the market for Maryland loans.<sup>15</sup> The OFR leveraged its interpretive authority under the Maryland Mortgage Lender Law to clarify "any trusts created by [Fannie Mae, Freddie Mac, and Ginnie Mae] are themselves corporate instrumentalities and that they are engaged in the acquisition of loans under federal programs of mortgage loan purchases, and therefore are not subject to licensure by OFR."<sup>16</sup>

As Agency mortgage production predominates the market, the OFR took a sensible approach in quickly publicizing the Supplement Guidance to address the ambiguity created by *Estate of Brown*, the Regulations, and the Guidance. Nevertheless, the OFR has the same interpretive authority to inform industry participants and other stakeholders regarding the bounds of other relevant licensing exemptions for securitization trusts and other passive investment vehicles that may be relevant to non-Agency production. Moreover, the OFR's interpretive powers in this regard do not appear limited at all by the holding in *Estate of Brown* as the court there intentionally did not consider any exemption arguments under the Maryland Mortgage Lender Law.

Rocket Mortgage implores the OFR to iterate upon its Supplemental Guidance by explaining how the OFR views other licensing exemptions in the Maryland Mortgage Lender Law, such as exemptions for federally or state chartered financial institutions under Md. Fin. Inst. Code § 11-502(b)(1). For example, industry is currently not clear on whether such licensing exemptions apply to a securitization trust whose trustee is a national banking entity.

### **Conclusion**

Rocket Mortgage understands the precarious position *Estate of Brown* has placed the OFR in and is encouraged by the OFR and the Legislature's most recent efforts to bring clarity to the Maryland mortgage market through updated supplemental guidance and this crucial legislation. We support SB 1026 and urge a favorable report.

---

<sup>15</sup> Available at <https://labor.maryland.gov/finance/advisories/advisory-ind-licensereqmorttrustcorpinst.pdf>.

<sup>16</sup> *Id.*



Please contact Micheal Stidham at (313) 670-8559 or [MichealStidham@rocketmortgage.com](mailto:MichealStidham@rocketmortgage.com) to facilitate any such additional discussions.

*Michael Stidham*

Michael Stidham  
Director, Regulatory Affairs  
Rocket Mortgage, LLC

**SIFMA Support Letter SB 1026 March 3 2025.pdf**

Uploaded by: Keith Walmsley

Position: FAV



March 3, 2025

The Honorable Pamela G. Beidle  
Chair, Senate Finance Committee  
Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

RE: SB1026, the Maryland Secondary Market Stability Act of 2025 - **SUPPORT**

Dear Chair Beidle:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> 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.<sup>2</sup>

SIFMA is writing to express its strong support for your recently introduced SB1026, 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

---

<sup>1</sup> 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>.

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



become licensed. Compounding the problem, the rules and guidance have retroactive effect, 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.<sup>3</sup>

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.

SB1026 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 greatly 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

---

<sup>3</sup> 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.

# **SB 1026 - Mortgage Licensing - FAV - REALTORS.pdf**

Uploaded by: Lisa May

Position: FAV



**SB 1026 – Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)**

**Position: Support**

Maryland REALTORS® supports SB 1026, to clarify state licensing requirements for entities involved in the mortgage lending process.

On January 10, the Office of Financial Regulation (OFR) announced emergency regulations 52:1 Md. R. 17. The purpose of this action is to require specific entities to obtain licensure as a mortgage lender to conform to the recent decision in *Estate of Brown v. Carrie M. Ward, et al*, 261 Md.App. 385, (2024).

Following this action, Maryland REALTORS® learned that several of the largest mortgage exchange companies had stopped accepting loans in Maryland, while others raised interest rates to account for the uncertainty that this regulation has created. These mortgage aggregators securitize mortgage loans for lenders such as Bank of America, Citibank, and Goldman Sachs, among others.

As we enter the busiest time of the year for real estate transactions, there are real and significant doubts that mortgage financing will be available in the state, and that what mortgage products are offered will carry much higher costs. This would be catastrophic to buyers and sellers in Maryland and would have a detrimental impact on our state's economy if revenues from those transactions are not realized.

This bill would clarify state licensing requirements and return much needed liquidity to the state's mortgage markets. Maryland REALTORS® offers our support for SB 1026.

**For more information contact [lisa.may@mdrealtor.org](mailto:lisa.may@mdrealtor.org)  
or [christa.mcgee@mdrealtor.org](mailto:christa.mcgee@mdrealtor.org)**

**SB1026 FAQ.pdf**

Uploaded by: Pamela Beidle

Position: FAV

## **Maryland Secondary Market Stability Act of 2025 FAQ**

### **Why do we have this bill?**

A recent legal decision, *Estate of Brown v. Ward*, held that secondary mortgage market purchasers of loans, (e.g., trusts, and other loan securitization vehicles) must obtain licenses, when previously there had been no need.

### **What problem are we solving for?**

This bill will return the market to the position in which it existed prior to the *Brown* decision; specifically, it exempts from licensure the special purpose trusts used to facilitate the mortgage and other consumer loan markets.

### **Who is impacted?**

The trusts covered by this bill obtain their loans from licensed lenders and utilize licensed loan servicers. These trusts and other special purpose entities are often passive and transient, meaning there is no person to assign a license to, or for the Office of Financial Regulation (OFR) to examine as all their loan related activity is carried out through licensed loan servicers.

### **What has happened so far?**

This ruling forced lenders to make difficult choices—some have already stopped offering certain loan products in the state, and others have indicated they may cease lending here altogether. This is not an abstract concern.

The vast majority of mortgage loans originated in Maryland—like in the rest of the country—are sold on the secondary market and pooled into residential mortgage-backed securities. Roughly 25-35% of Maryland loans are pooled and sold outside of government-sponsored entities (GSEs) such as Fannie Mae and Ginnie Mae. The *Brown* decision created uncertainty for these transactions, resulting in reduced mortgage availability for Maryland borrowers.

### **What happens if we don't pass the bill?**

Left unaddressed, this situation will harm Maryland homeowners and our state's economy. Mortgage lending is highly competitive, and lenders are not obligated to operate in any single state. If regulatory burdens here become too complex or costly, they can and will choose to do business elsewhere. We are already seeing signs of market contraction, which could result in fewer loan options, higher costs, and a less competitive mortgage landscape for Maryland residents.

If the General Assembly does not pass this legislation, OFR will be forced to license and examine thousands of passive trusts and entities, a massive and unprecedented burden on its regulatory system. This is not a sustainable path forward, nor is it in the best interest of Maryland borrowers.

### **Can't the Commissioner fix this?**

OFR took immediate action following the decision to provide clarity and issued interpretive guidance in January, temporarily delaying enforcement of the new licensing requirement until July of 2025. This delay was intended to allow time for the General Assembly to act—and this bill is the necessary legislative remedy.

**Does this harm consumers?**

House Bill 1516 is a targeted and practical solution that does not reduce consumer protections. Lenders and servicers will remain subject to robust licensing, oversight, and enforcement by OFR to ensure fair lending practices. This bill simply reaffirms the regulatory approach that was in place prior to the Brown decision—ensuring passive trusts do not require licensure while maintaining the strong consumer protections Maryland borrowers deserve.

**What about the future?**

This legislation provides for the establishment of a licensing study group to meet over the summer of 2025. This group will review Maryland's licensing framework and make recommendations to ensure we continue to strike the right balance between consumer protection and market competition.

# **SB1026 Testimony.pdf**

Uploaded by: Pamela Beidle

Position: FAV

PAMELA G. BEIDLE  
Legislative District 32  
Anne Arundel County

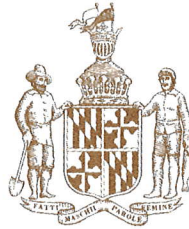
Chair, Finance Committee

Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management  
of Public Funds

Spending Affordability Committee



Miller Senate Office Building  
11 Bladen Street, Suite 3 East  
Annapolis, Maryland 21401  
410-841-3593 · 301-858-3593  
800-492-7122 Ext. 3593  
Pamela.Beidle@senate.state.md.us

THE SENATE OF MARYLAND  
ANNAPOLIS, MARYLAND 21401

March 11, 2025

**Senate Bill 1026**  
**Financial Institutions - Consumer Credit - Application of Licensing Requirements**  
**(Maryland Secondary Market Stability Act of 2025)**

Good afternoon, Vice Chair Hayes and members of the Finance committee;

Thank you for the opportunity to present **Senate Bill 1026: Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)**. If enacted this *emergency bill* will help restore stability to the mortgage market in our great State. Failure to pass this bill risks continued disruption of the State's mortgage and other securitized loan markets.

A recent legal decision, *Estate of Brown v. Ward*, held that secondary mortgage market purchasers of loans, (e.g., trusts, and other loan securitization vehicles) must obtain licenses, when previously there had been no need. This bill will return the market to the position in which it existed prior to the *Brown* decision; specifically, it exempts from licensure the special purpose trusts used to facilitate the mortgage and other consumer loan markets.

The trusts covered by this bill obtain their loans from licensed lenders and utilize licensed loan servicers. These trusts and other special purpose entities are often passive and transient, meaning there is no person to assign a license to, or for the Office of Financial Regulation (OFR) to examine as all their loan related activity is carried out through licensed loan servicers. This ruling forced lenders to make difficult choices—some have already stopped offering certain loan products in the state, and others have indicated they may cease lending here altogether. This is not an abstract concern.

The vast majority of mortgage loans originated in Maryland—like in the rest of the country—are sold on the secondary market and pooled into residential mortgage-backed securities. Roughly 25-35% of Maryland loans are pooled and sold outside of government-sponsored entities (GSEs) such as Fannie Mae and Ginnie Mae. The *Brown* decision created uncertainty for these transactions, resulting in reduced mortgage availability for Maryland borrowers.

Left unaddressed, this situation will harm Maryland homeowners and our state's economy. Mortgage lending is highly competitive, and lenders are not obligated to operate in any single state. If regulatory burdens here become too complex or costly, they can and will choose to do business elsewhere. We are already seeing signs of market contraction, which could result in fewer loan options, higher costs, and a less competitive mortgage landscape for Maryland residents.



OFR took immediate action following the decision to provide clarity and issued interpretive guidance in January, temporarily delaying enforcement of the new licensing requirement until July of 2025. This delay was intended to allow time for the General Assembly to act—and this bill is the necessary legislative remedy.

Senate Bill 1026 is a targeted and practical solution that does not reduce consumer protections. Lenders and servicers will remain subject to robust licensing, oversight, and enforcement by OFR to ensure fair lending practices. This bill simply reaffirms the regulatory approach that was in place prior to the Brown decision—ensuring passive trusts do not require licensure while maintaining the strong consumer protections Maryland borrowers deserve.

Additionally, this legislation provides for the establishment of a licensing study group to meet over the summer of 2025. This group will review Maryland’s licensing framework and make recommendations to ensure we continue to strike the right balance between consumer protection and market competition.

If the General Assembly does not pass this legislation, OFR will be forced to license and examine thousands of passive trusts and entities, a massive and unprecedented burden on its regulatory system. This is not a sustainable path forward, nor is it in the best interest of Maryland borrowers.

For all of these reasons, I respectfully request a favorable report on **Senate Bill 1026.**

# **2025 - SB1026- Financial Institutions – Consumer**

Uploaded by: Rory Murray

Position: FAV



March 11, 2025

The Honorable Pam Beidle, Chair  
Senate Finance Committee  
3 East Miller Senate Office Building  
Annapolis, MD 21401

**Organization** – MD|DC Credit Union Association

**Bill** – SB1026- Financial Institutions – Consumer Credit – Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)

**Position** – Support

Chair Beidle, Vice Chair Hayes and members of the committee,

On behalf of the Maryland & DC Credit Union Association (MD|DC CUA), I write to express our strong support for Senate Bill 1026 which clarifies the regulatory framework for entities that acquire or are assigned certain financial instruments, including mortgages and installment loans.

Credit unions are critical in providing their members safe, affordable financial services, including mortgage lending. This bill ensures that entities acquiring such loans under specified conditions are not subject to unnecessary regulatory burdens, which could otherwise hinder the ability of financial institutions, including credit unions, to serve their members effectively.

Specifically, the bill provides clarity by exempting persons who acquire, but do not originate or service, mortgages or installment loans from certain licensing and regulatory requirements. This exemption is crucial in allowing credit unions and their partners to operate efficiently, ensuring that consumers continue to have access to a broad range of financial products and services. Additionally, by promoting greater certainty in the secondary market, this bill enhances liquidity and stability, allowing lenders to continue offering competitive loan products while ensuring a well-functioning financial ecosystem.

We urge your favorable consideration of Senate Bill 1026 and stand ready to work with you to advance policies that strengthen consumer access to fair and affordable financial services.

Thank you for your leadership and commitment to Maryland's financial consumers. Please feel free to reach out to me at [jbratsakis@mddccua.org](mailto:jbratsakis@mddccua.org) if you have any questions or if we can be of further assistance.

Sincerely,

A handwritten signature in blue ink that reads "John Bratsakis". The signature is written in a cursive style with a long, sweeping underline.

John Bratsakis  
President/CEO  
MD|DC Credit Union Association

# **SB1026 Testimony.pdf**

Uploaded by: Benjamin Carney

Position: UNF



March 7, 2025

**Re: Request for an UNFAVORABLE report on SB 1026**

Dear Members of the Finance Committee:

I am here to express my strong opposition to SB1026, which seeks to exempt creditors from Maryland licensing requirements, on an emergency basis, at the same time that the federal government is ending its own oversight of lenders. SB1026 is a step in the wrong direction for Maryland consumers.

As you are aware, the Consumer Financial Protection Bureau (CFPB), which has played a critical role in enforcing fair lending practices and holding financial institutions accountable, is currently being dismantled at the federal level. The CFPB has provided crucial consumer protections, ensuring that mortgage companies operate with transparency and accountability. With its impending rollback, the burden of oversight will fall more heavily on state governments to safeguard residents from predatory lending and financial exploitation.

Maryland has historically been a leader in consumer protection, ensuring that individuals and families are not subjected to deceptive lending practices or unfair treatment by creditors. State licensing requirements are an essential tool in this effort, enabling Maryland regulators to vet mortgage companies and lenders, track their practices, and take corrective action when necessary. Removing this critical layer of oversight will create an enforcement vacuum, putting borrowers, homebuyers and homeowners at greater risk of fraud and financial instability.

The timing of SB1026 could not be worse. At a moment when federal consumer protections are eroding, Maryland should be strengthening—not weakening—its ability to oversee the lending industry. If enacted, this bill would expose vulnerable borrowers to potential misconduct, including hidden fees, misleading loan terms, and unethical lending practices that could lead to increased foreclosures and financial hardship across our state.

Furthermore, SB1026 could have the unintentional effect of creating a massive licensing loophole. For example, auto loans are usually originated by car dealers (who are not licensed as lenders) and then assigned to third party lenders (who currently are required to be licensed). So long as those third-party auto lenders outsource collections, they could completely avoid State oversight of their substantial Maryland lending operations. It is not hard to imagine how creative lenders could structure their operations under this bill so that most lending in Maryland would be exempt from State regulatory oversight. Combining an absence of federal and State regulatory oversight with the ubiquitous presence arbitration agreements which prevent consumers from vindicating their rights in Court is a recipe for lenders running roughshod over Maryland consumers' rights.

Moreover, removing licensing requirements would place Maryland at odds with states that are taking proactive steps to fill the regulatory gaps left by federal rollbacks. Other jurisdictions are reinforcing their consumer protection laws in

response to the uncertainty at the national level. Maryland should do the same by maintaining robust oversight mechanisms to protect its residents.

For these reasons, I urge the committee to give an UNFAVORABLE report on SB1026 and to reaffirm Maryland's commitment to fair and responsible lending. Our state must not follow the federal government's retreat from consumer protections but instead serve as a bulwark against financial exploitation.

Thank you for your time and consideration.

Respectfully,

Benjamin H. Carney

**SB1026 EconAction UNF.docx.pdf**

Uploaded by: Marceline White

Position: UNF



**Testimony to the Senate Finance Committee**  
**SB1026 Financial Institutions-Consumer Credit-Application of Licensing Requirements**  
**Position: Unfavorable**

March 11, 2025

The Honorable Pam Beidle, Chair  
3 East, Miller Senate Office Building  
Annapolis, Maryland 21401  
cc: Members, Senate Finance

Chair Beidle and members of the committee:

Economic Action, formerly the Maryland Consumer Rights Coalition) is a statewide coalition of individuals and organizations that advances economic rights and equity for Maryland families through research, education, direct service, and advocacy. Our 12,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland. Our direct service programs assist clients in every county in Maryland.

We are here in strong opposition to SB1026 which will rollback consumer protections on a wide array of consumer loan products and services, forego revenue at a time when the State clearly needs to generate revenue, and reduce oversight and regulation.

**Unnecessary**

SB1026 purports to exempt passive trusts from licensing. Current law states that certain mortgage lenders must be licensed by the state. And in fact, most mortgage lenders, including those supporting the bill, are licensed. **Nearly all of the secondary Maryland mortgage market is already exempt.** Approximately 80% of the secondary market is exempt because Fannie and Freddie own the loans or the loans are insured by government programs offered by VA, FHA, Ginne Mae, and DHCD. The typical conventional loan owners (i.e. credit unions, banks, and mortgage entities like Sandy Spring Bank, NA, Bay Capital Mortgage, Presidential Bank, etc) are also exempt and control about 15% of the marketplace.

Rocket Mortgage, for example, is licensed and sells its originated loans onto the secondary market explains in its own 10k filings with the SEC that “The majority of the mortgage loans [it] services are serviced on behalf of Fannie Mae, Freddie Mac (collectively defined as “GSEs”) and Ginnie Mae (together with GSEs, the Agencies”)” and its “business is highly dependent on Fannie Mae and Freddie Mac and certain U.S. government agencies.”

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494  
info@econaction.org · www.econaction.org  
Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.





The companies that will be excluded from regulation, enforcement, and oversight are passive “zombie” debt buyers, mostly out-of-state private equity firms, who purchase charged off mortgages for pennies on the dollar and then hold onto the mortgages sometimes for decades, until it becomes profitable to foreclose on the homeowner.

An NPR report<sup>1</sup> found more than 700 second mortgages in Maryland where zombie debt buyers have filed Notice of Intention to Foreclose (NOI)-- the first step towards foreclosure. These second mortgages had been inactive for more than a decade.

Notably, the vast majority of these foreclosures on second-mortgages are concentrated in Baltimore City and Prince Georges County<sup>2</sup>, which means Black and Brown homeowners are disproportionately affected by these foreclosures, just as they were hardest hit by predatory mortgage products.

The cost to become licensed is several hundred dollars, certainly a cost these firms can afford. And if they can’t afford our licensing fee, do we want them holding the mortgages of Maryland homeowners?

### **Rollback of Consumer Protections & Loss of Revenue**

Whether by poor drafting or by intention, the exemption for these mortgage entities is NOT listed under the Maryland Mortgage Lenders License ( MMLL) instead this blanket exemption will apply to every license authorized by the Financial Institutions Article.

In addition to exempting zombie debt buyers from oversight, investigation, and enforcement actions—a shocking weakening of consumer protections for vulnerable Black and Brown homeowners-SB1026 will also stop oversight, investigation, and enforcement of car loans. UB Consumer Law Professors note that they are seeing this very issue in their consumer protection clinics which assist low-income Marylanders. This is a broad overreach and dereliction of consumer protection duties that OFR purports to care about.

SB1026 also foregoes critical revenue at a time when the State is seeking an array of options to address our challenging budget situation. Licensing these zombie debt buyers allows for oversight and enforcement by OFR and generates revenue for the state. It is a mistake to carve private-equity firms out of paying for doing business in Maryland.

---

<sup>1</sup> <https://www.npr.org/2024/05/10/1197959049/zombie-second-mortgages-homeowners-foreclosure>

<sup>2</sup> *ibid*

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494

info@econaction.org · www.econaction.org

Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.



At a time when consumer protection is being weakened at the federal level, Maryland has an opportunity to stand up and stand strong for working families across the state. Instead, SB1026 weakens decades of consumer protection laws in Maryland. Consequently, as a result of this legislation, we will likely see an increase in zombie debt foreclosures, auto repossessions, and an expansion of predatory practices by unscrupulous actors who know that they can act without any oversight or consequences in Maryland.

### **Proposed Amendments**

**To amend this bill to rein in its most harmful consequences, we propose the following:**

- 1) Study this bill over the interim.** OFR did not consult with a single consumer advocate, attorney, housing counseling agency, or community development organization before rushing this bill into the session. This topic needs a more thoughtful deliberative process than one solely driven by zombie debt buyers.
- 2) Have the exemption only apply to mortgages.** Move all provisions in the bill to the MMLL instead of applying to the whole Financial Institutions article.
- 3) Create a registry.** Require the creation of a public registry that identifies the owners (i.e. private equity funds, etc.) who control more than 10% of any trust created to hold mortgages which are not exempt from the MMLL's

Unless these amendments are adopted, or the bill is moved to a study bill to give all stakeholders time to consider these complex issues in a thoughtful way, we will continue to oppose SB1026 and urge an unfavorable report.

Best,

Marceline White  
Executive Director

2209 Maryland Ave · Baltimore, MD · 21218 · 410-220-0494  
info@econaction.org · www.econaction.org  
Tax ID 52-2266235

Economic Action Maryland Fund is a 501(c)(3) nonprofit organization and your contributions are tax deductible to the extent allowed by law.

# **CLC Draft Opposition to SB 1026.pdf**

Uploaded by: Phillip Robinson

Position: UNF

# CONSUMER LAW CENTER LLC

Phillip Robinson\*

A Consumer Rights Law Firm  
1220 Blair Mill Road, Suite 1105  
Silver Spring, MD 20910

\* Admitted in MD

Phone (301 ) 448-1304  
[www.marylandconsumer.com](http://www.marylandconsumer.com)

To: SENATE FINANCE COMMITTEE  
From: Phillip Robinson  
Date: March 7, 2025  
Subject: TESTIMONY IN OPPOSITION TO SB 1026

**PLEASE ACCEPT THIS TESTIMONY IN OPPOSITION TO THE MOORE ADMINISTRATION'S EFFORTS (i.e. SB 1026) 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.<sup>1</sup>

---

<sup>1</sup> 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.<sup>2</sup> 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).<sup>3</sup> 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

---

<sup>2</sup> *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.

<sup>3</sup> *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.”<sup>4</sup> 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.

---

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

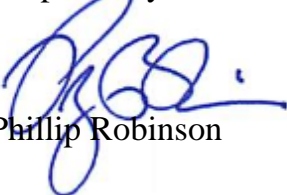
**If the Moore Administration is so worried about the secondary mortgage market in light of the *Brown* decision, why does this bill not just amend the MMLL instead of applying to every license authorized by the Financial Institutions Article?** This is no basis offered for the expanded scope of the 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 **SB 1026**.

Respectfully,



Phillip Robinson

# **SB1026\_ScarlettBowman\_UNF**

Uploaded by: Scarlett Bowman

Position: UNF



**To: SENATE FINANCE COMMITTEE**

**From: Scarlett Bowman 1251 Shaffersville Road Mount Airy MD 21771, 410-259-5035**

**Date: March 7, 2025**

**Re: Senate Bill 1026-Scarlett Bowman-Unfavorable**

**Subject: TESTIMONY IN OPPOSITION TO SB 1026  
PLEASE ACCEPT THIS TESTIMONY IN OPPOSITION TO THE MOORE  
ADMINISTRATION'S EFFORTS (i.e. SB 1026) TO CHANGE FUNDAMENTAL,  
CONSUMER PROTECTION LAWS WHICH HAVE BEEN MARYLAND LAW**

I am here to give my written testimony because I am the exact homeowner that this legislation is meant to protect. I married my high school sweetheart and had 3 children, and we took over a family farm in western Howard county that has been in my family since the late 1800's. My husband and I filed for divorce and the farm had to be refinanced and put in my name alone. I was a fulltime real estate agent at the time in 2006. Predatory lending at its highest. I was self-employed single mom with little income, but it didn't matter. I was given a no doc, no income verification loan because I had so much equity in my home. Fast forward to 2008 and the housing bust and my real estate income was in trouble. I fell behind on my mortgage. My loan had already been sold many times on the secondary market as a non-performing loan, so it sold for pennies on the dollar. So, my 500,000 debt probably sold for less then 100,000 to some trust. I was able to get a modification. I started a dog boarding business on my farm. Fast forward to 2019 and I am newly married and making good money at my dog boarding business when covid happened and traveling was banned. I went from making really good money to maybe 400.00 a month and did not qualify for Unemployment initially because I owned my own business. It is very hard to make a 3200.00 mortgage with no income. Within a few months I was unable to keep up and defaulted on my loan. My loan is not federally backed so my "note holder" which is a trust, had no obligation to work with me. A docket to foreclose was filed and I was forced to retain a attorney and spend thousands to try and save my home. I attended mediation and was offered a new modification agreement that almost doubled my interest rate from 4.25% to almost 8%, and increased my payment from 3200.00 to 4400.00 and made my loan 40 years with an over 200,000 balloon at the end of the 40 years. The trust has no interest in working with me. They want to foreclose. They buy up non-performing loans for pennies on the dollar and in Maryland housing market can cover any fees to foreclose and they still walk away more then doubling their money. I currently have an active federal case where a judge has stated I have a valid FDCPA claim and foreclosure never should have been filed, and Howard county case to try and save my family farm.

Despite all this the servicer and trust has decided to schedule my home for sale which is scheduled for March 28<sup>th</sup>.

A realtor who sells a home has to have a license, a mortgage originator and lender have to be licensed, the foreclosing attorney has to be licensed. Everyone has to be licensed EXCEPT these trust that prey on Maryland's most vulnerable homeowners. These trust have no incentive to work with Marylanders. They want to make money off of their investment and what better way then to buy up defaulted loans, offer horrible modifications (just so they can say they offered a modification) and when a homeowner such as myself who is struggling can't make the INCREASED mortgage payment offered in a modification they foreclose. I have offered to just reinstate the loan, pay the lenders out of pocket expenses (roughly 50k) and start making my regular payments in April. This offer has gone unanswered besides receiving a notice of a foreclosure sale. So my option now is to come up with 180k by March 28<sup>th</sup>, or lose my home. How is this helping Marylanders. With the upcoming federal government layoffs and shutdowns Maryland is going to see more and more homeowners fall behind. According to the governor's office, there are approximately 160,000 federal civilian jobs in Maryland, or 6 percent of jobs in the state. Maryland has the second highest concentration of federal employees in the nation, behind only Washington, DC. Soon many of these federal workers will fall behind on their mortgages, their loans will be sold on secondary market for pennies on the dollar as non-performing notes and these trust won't work with the homeowners and no law says they have to.

"Mortgage note" investing has become the newest thing in real estate investment and more and more companies are popping up to teach you how to do it. A simple google search pulls up companies like

<https://www.noradarealestate.com/blog/real-estate-mortgage-notes/>

or

<https://noteinvestors.com/the-ultimate-guide-to-mortgage-note-investing-unlocking-the-potential-of-this-lucrative-investment-strategy/>

These are just 2 of the dozen or more that have all recently popped up offering classes on how to become a mortgage note investor and the "big returns" on purchasing non-performing loans on the secondary market. And today's technology now has websites with notes listed that banks are selling. By passing this emergency bill you are essentially saying that you support "big money" of passive trust over the struggling Maryland homeowner.

The claim that this ruling will affect loans available to Marylanders just does not make sense. Many lenders are licensed and sell Fannie and Freddie and Va loans which are all exempt. Everyone has to be licensed in a home buying transaction. A trust that gets all the rights as the original mortgagor should have to get the same licensing. Licensing helps protect Marylanders most vulnerable homeowners. And to know that this emergency bill was entered because of the pushback from secondary lenders should tell you that this legislation is needed. Don't put the interest of super rich trusts above protecting Maryland homeowners from losing their home or predatory practices.

**SB1026\_ScottWebber\_UNFAVORABLE.pdf**

Uploaded by: Scott Webber

Position: UNF

**Hearing In The Maryland Senate Set for March 11, 2025  
Closed to Public Testimony**

Scott Webber  
8803 Seven Locks Road  
Bethesda, MD 20817

**TESTIMONY ON SB1026  
UNFAVORABLE**

**‘Financial Institutions - Consumer Credit - Application of Licensing Requirements (Maryland Secondary Market Stability Act of 2025)’**

**- Or More Appropriately -**

**‘Allow Unlicensed Zombie Scam Artists to Prey Upon Minority and Other Vulnerable Communities and Steal Their Homes Act of 2025’**

**TO:** Madame Chair and Members of the Finance Committee,

My name is Scott Webber, resident of Montgomery County, writing in OPPOSITION to SB1026 by virtue of its harshly anti-consumer intent that intentionally harms Maryland consumers and has the probably result of costing Maryland residents multiple billions of dollars.

I ask a bit of grace, as well as a note of protest that this bill is being unnecessarily and unfairly rushed through without proper public input. Although it has been in the works for over 6 months, it was snuck into the 2025 Session after the bill drop date, and as ‘Emergency’ legislation, which is highly disgenuous. It was also voted out of Rules on 3/6 and sent to Committee, who immediately set a hearing for 3/11, giving the public only 3/7 before 6PM to sign up and submit tesimony. Still yet, because of the way in which it was snuck in under cloak of darkness, it was turned into a ‘Sponsor Only’ hearing, compeley excluding the public from having their voices heard other than hastily-written testimony with less than one day’s notice.

Chuck Cook, Chief Legislative Officer for DHCD was contacted and he knew nothing about this legislation.

Steven Sakamoto-Wengel of the Attorney General’s was contacted and stated that their office was not consulted regarding this effort by the Governor to exempt predatory lenders from having to be licensed.

Multiple housing and consumer avocates were contacted and NONE have reported being contacted to assist with, or even comment on this anti-consumer, anti-housing legislation.

I have to share that this absolutely REEKS of VERY disturbing and undemocratic ‘dirty politics’, that looks like it is intentionally being rammed through the ‘process’ by powerful / wealthy insiders with the absolute minimal amount of public access and input, by the Moore Administration, appearing to be a favor to Tisha Edwards, who was just hired by the Maryland

Bankers Association to be their CEO, which appears to be the primary sponsor of this legislation, emanating from lobbyist Bob Enten, and with full cooperation from Commissioner Salazar, but no participation or communication with any citizens or consumers or consumer protection advocates. It addresses issues and matters that are remarkably similar to multiple conversations I had with a gentleman formerly with the OFR named Judd Bellman, at which time we were discussing, ironically, options to make licensure MORE comprehensive, given that so many UNLICENSED predatory players were foreclosing on vulnerable homeowners that were going completely under the radar of the OFR because they were... UNLICENSED, and thus, not subject to the normal regulatory scrutiny.

I only have about 10 minutes to write this entire testimony, so please give me a bit of grace while I simply grab some notes and 'paste'.

This legislation is intentionally targeted to allow unlicensed zombie loan bottom feeders whose sole business model is to extract as much equity from a vulnerable homeowner as possible before they know what bit them, all completely outside the scrutiny and watchful eyes of regulators.

The ONLY reason to not be licensed, is the fear of being regulated.

Think of the absurdity of carving out exceptions for licensing doctors, lawyers, or plumbers, or electricians, based entirely on whether one is a friend of the governor or not. Folks here shout to the ceiling to license and regulate vape shops that have helped more people reduce or quit smoking than ANY other effort, saving MD taxpayers BILLIONS of dollars. But you want to allow bloodsucking foreclosure scam artists to go UNlicensed and unregulated, costing MD's citizens billions of dollars in lost property? Think about that....

I spoke with Cliff Charland of the OFR. He confirmed that most normal loans are gov't backed & licensed already, but it is the jumbo and high-risk loans that will be most affected if everybody has to be licensed.

Think about that... the most risky loans – from marginal lenders - which carry the highest chance of being predatory – are the very loans the proponents of HBI516 are trying to give cover of darkness. INSANE!! Unless one is intentionally setting folks up for failure.

Appellate Case - Brown v. Ward:

<https://law.justia.com/cases/maryland/court-of-special-appeals/2024/1009-23.html>

Law Firm Analysis:

<https://www.rlf.com/maryland-seeks-to-require-licenses-for-rmbs-trusts-our-observations/>

In summary, this 'Emergency' bill would allow zombie loan predators who buy up bulk debt [often bundled & securitized MBSs] to foreclose on folks without having a license or being regulated like 'regular' lenders... like mortgagors... credit unions... banks...

The MBA strategy is a 'blitzkrieg' under the smoke of an 'emergency' being completely fabricated that the Brown case - and the threat of predatory secondary mortgage investors fleeing the state in droves if they have to be licensed - will completely dry up the secondary mortgage market, wherein the originators will have nobody to sell to, and INSTANT HOUSING CRISIS!!! The only problem is that there is absolutely NO shortage of legitimate players who ARE licensed, wear the 'White Hats', and would love to fill in the business vacated by the scammers who have run out of state. AND... thousands of folks would NOT be foreclosed upon illegally.

Keep in mind, these are the folks who drove the housing crisis of 2008-2010, most viciously in PG County, and are coming back alive now that home values have increased equity so high. Attached is a quick chart I put together tracking the 5 most foreclosed-upon counties in MD. You cannot help but notice one of them is Montgomery County, similar to Anne Arundel. Next are the Baltimores - DOUBLE MoCo & AA. And then there is Prince George's at **TRIPLE** MoCo & AA!!!

I've done a deep dive into the data, and the ONLY thing that can explain such disparity is the COLOR of the 'soil'. What else could it possible be?

Any of you care to guess where the greater number of unlicensed predatory zombie junk loans can be found?

Much of this was kept somewhat in check by the fine folks at the CFPB. However....

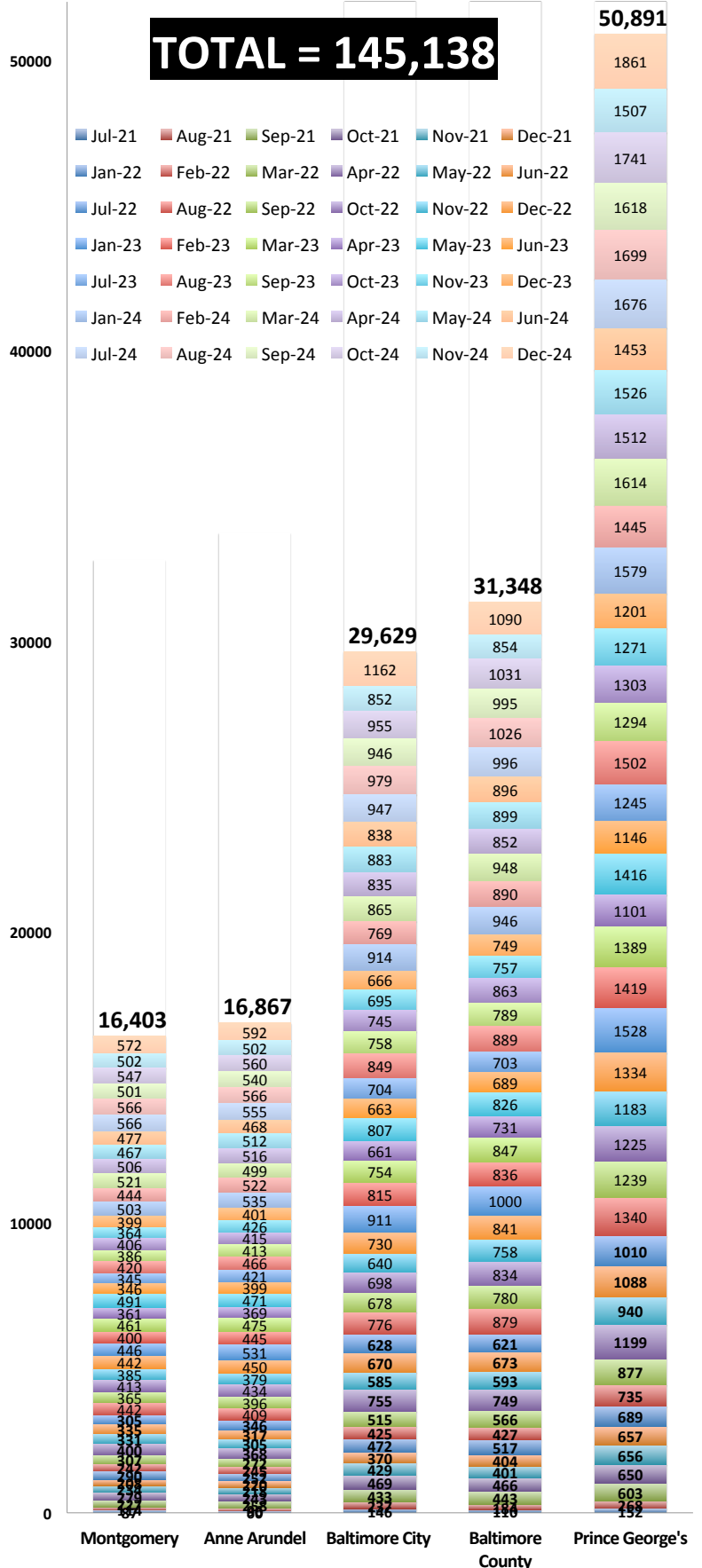
Anybody who votes for this bill needs to be held accountable to the thousands of families and billions of dollars that will be destroyed by this cruel legislation.

I respectfully urge this committee to return a UNFAVORABLE report on SBI026 for the clear reason that it will harmful

Most Sincerely,  
~Scott Webber

# MD Foreclosure Notices Post-Pandemic: Top 5 Counties

Date	Montgomery	Anne Arundel	Baltimore City	Baltimore County	Prince George's	
Jul-21	87	60	146	110	152	
Aug-21	114	96	237	184	268	
Sep-21	227	258	433	443	603	
Oct-21	279	243	469	466	650	
Nov-21	234	218	429	401	656	
Dec-21	208	220	370	404	657	
Jan-22	290	252	472	517	689	
Feb-22	242	245	425	427	735	
Mar-22	307	272	515	566	877	
Apr-22	400	368	755	749	1199	
May-22	331	305	585	593	940	
Jun-22	335	317	670	673	1088	
Jul-22	305	346	628	621	1010	
Aug-22	442	409	776	879	1340	
Sep-22	365	396	678	780	1239	
Oct-22	413	434	698	834	1225	
Nov-22	385	379	640	758	1183	
Dec-22	442	450	730	841	1334	
Jan-23	446	531	911	1000	1528	
Feb-23	400	445	815	836	1419	
Mar-23	461	475	754	847	1389	
Apr-23	361	369	661	731	1101	
May-23	491	471	807	826	1416	
Jun-23	346	399	663	689	1146	
Jul-23	345	421	704	703	1245	
Aug-23	420	466	849	889	1502	
Sep-23	386	413	758	789	1294	
Oct-23	406	415	745	863	1303	
Nov-23	364	426	695	757	1271	
Dec-23	399	401	666	749	1201	
Jan-24	503	535	914	946	1579	
Feb-24	444	522	769	890	1445	
Mar-24	521	499	865	948	1614	
Apr-24	506	516	835	852	1512	
May-24	467	512	883	899	1526	
Jun-24	477	468	838	896	1512	
Jul-24	566	555	947	996	1614	
Aug-24	566	566	979	1026	1445	
Sep-24	501	540	946	995	1579	
Oct-24	547	560	955	1031	1676	
Nov-24	502	502	852	854	1453	
Dec-24	572	592	1162	1090	1861	
<b>TOTAL'</b>	<b>16,403</b>	<b>16,867</b>	<b>29,629</b>	<b>31,348</b>	<b>50,891</b>	<b>145,138</b>



Compiled From DLLR CFR Foreclosure Tracker  
[https://opendata.maryland.gov/Housing/Maryland-Foreclosure-Notice-Data-by-County/w3bc-8mnv/data\\_preview](https://opendata.maryland.gov/Housing/Maryland-Foreclosure-Notice-Data-by-County/w3bc-8mnv/data_preview)  
 Scott Webber - 240-994-4670 - ScottWebberMD@gmail.com



# **SB 1026 - CPD - Lender licensing - Concern.pdf**

Uploaded by: Steven M. Sakamoto-Wengel

Position: INFO

**CAROLYN A. QUATTROCKI**  
*Chief Deputy Attorney General*

**LEONARD J. HOWIE III**  
*Deputy Attorney General*

**CARRIE J. WILLIAMS**  
*Deputy Attorney General*

**SHARON S. MERRIWEATHER**  
*Deputy Attorney General*

**ZENITA WICKHAM HURLEY**  
*Chief, Equity, Policy, and Engagement*



**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

**ANTHONY G. BROWN**  
*Attorney General*

**WILLIAM D. GRUHN**  
*Division Chief*

**PETER V. BERNS**  
*General Counsel*

**CHRISTIAN E. BARRERA**  
*Chief Operating Officer*

**STEVEN M. SAKAMOTO-WENGEL**  
*Consumer Protection Counsel for  
Regulation, Legislation and Policy*

March 11, 2025

**TO:** The Honorable Pamela Beidle, Chair  
Finance Committee

**FROM:** Steven M. Sakamoto-Wengel  
Consumer Protection Counsel for Regulation, Legislation and Policy

**RE:** Senate Bill 1026 – Financial Institutions -- Consumer Credit – Application  
of Licensing Requirements – CONCERN

---

The Consumer Protection Division of the Office of the Attorney General has concerns about Senate Bill 1026, sponsored by Chair Beidle, which would reverse a recent decision of the Appellate Court of Maryland holding that the licensing requirements of the Credit Grantor Closed End Credit subtitle apply to a foreign statutory trust that acquires or obtains the assignment of a revolving credit plan. The Division is concerned that failure to require these entities to be licensed by the Commissioner of Financial Regulation could result in predatory or abusive lending practices by the foreign statutory trusts.

The court in *Estate of H. Gregory Brown v. Ward*, 261 Md. App. 385 (2024), addressed a Delaware statutory trust that acquired a “zombie” deed of trust on residential property securing the debt under a home equity line of credit and sought to foreclose on the property. The Court rejected the statutory trust’s contentions that it was not required to be licensed in order to foreclose on the property (1) because it was an assignee of the credit plan rather than the original lender, and (2) because the licensing requirement did not apply to foreign statutory trusts. *Id.*, 261 Md. App. at 427.

The Court noted that “[a]n evident purpose of the licensing scheme is, however, to protect consumer borrowers from unscrupulous or unqualified actors, by requiring the credit grantor to establish its overall ‘fitness’ to the satisfaction of the Commissioner of Financial Regulation.” *Id.*, at 422. Along these lines, Maryland has a history of statutory trusts that bought up mortgages in distress just so they could foreclose with no intention of trying to

work with the homeowner to modify the mortgages. *See, e.g., John Bullock et al., 'Vulture Capital' Firm Preys on Baltimore, Baltimore Sun (Mar. 27, 2017), <https://www.baltimoresun.com/news/opinion/oped/bs-ed-oaktree-20170327-story.html>.*

The Court further rejected the arguments from the foreign statutory trust that the limited holding of the Supreme Court of Maryland (then known as the Court of Appeals) in *Blackstone v. Sharma*, 461 Md. 87, 95 (2018), that a foreign statutory trust did not need to obtain a collection agency license applied to the licensing requirement of the Credit Grantor Revolving Credit statute. *Brown v. Ward*, 261 Md, App. at 426-27. The Court found that “[t]he primary function of CL § 12-915(b) is to make certain mortgage industry actors subject to the licensing requirements of the Maryland Mortgage Lender Law in connection with mortgages securing a revolving line of credit.” *Id.*, at 427,

The Division agrees that the licensing requirement is critical to protecting Maryland consumers. The fact that a foreign statutory trust may rely upon a licensed mortgage servicer to collect the loan does not alter that conclusion. The servicer works at the direction of the trust and the trust should be subject to oversight by the Office of Financial Regulation as well.

Claims that the licensing ruling will cause lenders to leave the State do not make sense because many lenders are licensed and sell Fannie, Freddie, VA and FHA loans—all of which are exempt from the court decision. Moreover, while the licensing process deters unfair predatory practices in connection with mortgages, it would be relatively simple for a trust that is purchasing Maryland mortgages to become licensed.

Accordingly, the Consumer Protection Division respectfully requests that the Finance Committee take its concerns into account when considering Senate Bill 1026.

cc: The Honorable Pamela Beidle  
The Honorable Antonio Salazar