



HB 1098 – Bankruptcy Proceedings - Exemptions From Execution - Residential Real Property

Committee: House Economic Matters Committee

Date: March 5, 2026

Position: Unfavorable

The Maryland Bankers Association (MBA) **OPPOSES** HB 1098. This legislation extends the existing bankruptcy exemption for owner-occupied residential real property to include qualifying properties held in a revocable trust and increases the overall exemption amount available in bankruptcy proceedings. Although well-intentioned, HB 1098 would result in secured creditors losing much of their collateral, likely resulting in increased credit costs for Maryland households.

If a lender makes a mortgage loan to a Maryland resident that is based on the security of specified real property collateral and the borrower later files bankruptcy, HB 1098 would result in the secured lender having a bifurcated claim in the bankruptcy proceeding. Much of the lender's claim would become unsecured because of the large exemptions specified in HB 1098, resulting in the likelihood of the lender receiving far less in the noted bankruptcy.

When lenders recover less in bankruptcy, such losses would generally be accounted for in pricing, underwriting standards, and risk modeling. As a result, lenders may be forced to tighten credit standards, raise rates, and/or reduce access to certain products altogether. Higher borrowing costs and restricted access can make it more difficult for families to finance essential purchases, recover from emergencies, or manage day-to-day expenses.

Accordingly, the Maryland Bankers Association respectfully urges an **UNFAVORABLE** report on HB 1098.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing thousands of Marylanders and holding \$194.8 billion in deposits in over 1,100 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.