

HOUSE BILL 1398

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EMERGENCY BILL

8lr1863
CF SB 535

By: **Delegates Valderrama, Carter, Gutierrez, Ivey, Lee, Pena-Melnyk, Ramirez, Reznik, V. Turner, and Walker**

Introduced and read first time: February 8, 2008

Assigned to: Environmental Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Foreclosure – Subprime Mortgages – Moratorium**

3 FOR the purpose of prohibiting a creditor from maintaining suit in an action to
4 foreclose a certain mortgage under certain circumstances; establishing that a
5 certain creditor may be liable for certain damages under certain circumstances;
6 defining certain terms; providing for the termination of this Act; making this
7 Act an emergency measure; and generally relating to imposing a moratorium on
8 foreclosure of certain subprime mortgages.

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
10 MARYLAND, That:

11 (a) (1) In this section the following words have the meanings indicated.

12 (2) “Deceptive subprime mortgage” means a mortgage that:

13 (i) is an extension of credit to a homeowner by a creditor that
14 employed deceptive means, including an exaggeration of a homeowner’s potential
15 future income or a failure to properly disclose the current and future interest rate of a
16 mortgage, to convince a homeowner to borrow more than the homeowner could afford,
17 or could have reasonably been expected to afford; and

18 (ii) 1. allows a homeowner to pay only interest for a period
19 of time;

20 2. allows a homeowner to make a minimum payment
21 that may be lower than the payment required to reduce the balance of the mortgage;

22 3. has an initial fixed rate that, after a period of time, is
23 replaced with a variable rate; or

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 4. was agreed to with minimal or no income verification
2 information requested from the homeowner.

3 (3) “Homeowner” means the record owner of residential real property
4 consisting of not more than four single family dwelling units, one of which is occupied
5 by the owner, as the owner’s principal residence, at the time an order to docket or a
6 petition to foreclose is filed.

7 (b) In an action to foreclose a mortgage entered into by a homeowner, the
8 creditor may not maintain suit in a court of this State, unless the creditor shows to the
9 satisfaction of the court that the mortgage is not a deceptive subprime mortgage.

10 (c) A creditor that fails to show to the satisfaction of the court that the
11 mortgage is not a deceptive subprime mortgage may be liable for damages not
12 exceeding the amount of the mortgage, in addition to any other penalty provided by
13 law.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
15 measure, is necessary for the immediate preservation of the public health or safety,
16 has been passed by a yea and nay vote supported by three-fifths of all the members
17 elected to each of the two Houses of the General Assembly, and shall take effect from
18 the date it is enacted. It shall remain effective for a period of 6 months from the date it
19 is enacted and, at the end of the 6-month period, with no further action required by
20 the General Assembly, this Act shall be abrogated and of no further force and effect.