

Chapter 106

(Senate Bill 787)

AN ACT concerning

Financial Institutions – Mortgage Lenders – Net Worth Requirements

FOR the purpose of establishing that for purposes of satisfying certain minimum net worth requirements, in addition to computing the net worth of ~~an~~ a certain applicant for a new mortgage broker's license or for the renewal of a license according to generally accepted accounting principles, net worth may be computed according to any other recognized comprehensive basis of accounting approved by the Commissioner of Financial Regulation; and generally relating to net worth requirements for mortgage brokers.

BY repealing and reenacting, without amendments,
Article – Financial Institutions
Section 11–501(a) and (f)
Annotated Code of Maryland
(2003 Replacement Volume and 2009 Supplement)

BY repealing and reenacting, with amendments,
Article – Financial Institutions
Section 11–508.1
Annotated Code of Maryland
(2003 Replacement Volume and 2009 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Financial Institutions

11–501.

(a) In this subtitle the following words have the meanings indicated.

(f) “License” means a license issued by the Commissioner under this subtitle to authorize a person to engage in business as a mortgage lender.

11–508.1.

(a) An applicant for a new license or for the renewal of a license shall satisfy the Commissioner that the applicant or licensee has, and at all times will maintain, a minimum net worth computed according to generally accepted accounting principles

OR, WITH RESPECT TO AN APPLICANT OR LICENSEE DESCRIBED IN ITEM (1) OF THIS SUBSECTION, ANY OTHER RECOGNIZED COMPREHENSIVE BASIS OF ACCOUNTING APPROVED BY THE COMMISSIONER:

(1) In the case of an applicant or licensee that does not lend money secured by a dwelling or residential real estate, in the amount of \$25,000; and

(2) In the case of an applicant or licensee that lends money secured by a dwelling or residential real estate, in the amount of:

(i) \$25,000, if the applicant or licensee, in the 12 months prior to the license application or the renewal application, lent in the aggregate not more than \$1,000,000 secured by a dwelling or residential real estate;

(ii) \$50,000, if the applicant or licensee, in the 12 months prior to the license application or the renewal application, lent in the aggregate more than \$1,000,000, but not more than \$5,000,000 secured by a dwelling or residential real estate;

(iii) \$100,000, if the applicant or licensee, in the 12 months prior to the license application or the renewal application, lent in the aggregate more than \$5,000,000, but not more than \$10,000,000 secured by a dwelling or residential real estate; and

(iv) \$250,000, if the applicant or licensee, in the 12 months prior to the license application or the renewal application, lent in the aggregate more than \$10,000,000 secured by a dwelling or residential real estate.

(b) (1) Subject to paragraphs (2) and (3) of this subsection, the minimum net worth requirements under subsection (a)(2) of this section may be satisfied by the applicant or licensee having:

(i) Cash on deposit with a bank or depository institution;

(ii) A line of credit from a bank or depository institution;

(iii) Other assets; or

(iv) A combination of cash, a line of credit, or other assets.

(2) If cash is used toward satisfying the minimum net worth requirements under subsection (a)(2) of this section, the applicant or licensee shall submit to the Commissioner a bank letter verifying:

(i) The account balance;

- (ii) The type of account in which the funds are held; and
- (iii) That the funds are not encumbered or hypothecated in any way.

(3) (i) If a line of credit is used toward satisfying the minimum net worth requirements under subsection (a)(2) of this section, the applicant or licensee shall submit to the Commissioner a copy of the line of credit agreement and the promissory note.

(ii) A line of credit may not be used toward satisfying more than 75% of the minimum net worth requirements under subsection (a)(2) of this section.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2010.

Approved by the Governor, April 13, 2010.