

Chapter 119

(House Bill 1516)

AN ACT concerning

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

FOR the purpose of providing that certain provisions of law governing the licensing of providers of certain financial services in the State do not apply to a certain ~~person that acquires or is assigned a certain mortgage, mortgage loan, or installment loan under certain circumstances~~ trust that acquires or is assigned a certain mortgage loan under certain circumstances; establishing the Maryland Licensing Workgroup to study and make recommendations on licensing requirements for persons that provide financial services in the State; and generally relating to consumer credit lending licensing requirements and the Maryland Licensing Workgroup.

BY repealing and reenacting, without amendments,
Article – Financial Institutions
Section 1–101(a) and (n), 11–301(a) and (b), and 11–501(a) and (k) through (m)
Annotated Code of Maryland
(2020 Replacement Volume and 2024 Supplement)

BY adding to
Article – Financial Institutions
Section ~~11–102~~ 11–501(p) and (u)
Annotated Code of Maryland
(2020 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, with amendments,
Article – Financial Institutions
Section 11–302(b), 11–501(p) through (s), and 11–502(b)
Annotated Code of Maryland
(2020 Replacement Volume and 2024 Supplement)

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

Article – Financial Institutions

1–101.

(a) In this article, unless the context clearly requires otherwise, the following words have the meanings indicated.

(n) “Mortgage” includes a deed of trust that secures a debt or the performance of an obligation.

~~11-102.~~

~~(A) IN THIS SECTION, “INSTALLMENT LOAN” HAS THE MEANING STATED IN § 11-301 OF THIS TITLE.~~

~~(B) EXCEPT FOR § 11-219 OF THIS TITLE, THIS TITLE DOES NOT APPLY TO A PERSON THAT ACQUIRES OR IS ASSIGNED IN WHOLE OR IN PART:~~

~~(1) A MORTGAGE, IF THE PERSON DOES NOT OTHERWISE MAKE MORTGAGES;~~

~~(2) A MORTGAGE LOAN, AS DEFINED IN § 11-501 OF THIS TITLE, IF THE PERSON DOES NOT OTHERWISE ENGAGE IN THE MORTGAGE LENDING BUSINESS, AS DEFINED IN § 11-501 OF THIS TITLE; OR~~

~~(3) AN INSTALLMENT LOAN, IF THE PERSON:~~

~~(i) RELIES ON ANOTHER PERSON TO SERVICE OR COLLECT ON THE INSTALLMENT LOAN; AND~~

~~(ii) DOES NOT OTHERWISE MAKE INSTALLMENT LOANS.~~

~~(C) THIS SECTION MAY NOT BE CONSTRUED TO ALTER THE DEFINITION OF “STUDENT LOAN SERVICER”, AS DEFINED IN § 2-104.1 OF THIS ARTICLE.~~

11-301.

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

(b) “Installment loan” means a loan or extension of credit made for consideration under § 12-103(a)(3) or (c) or Title 12, Subtitle 9, or Subtitle 10 of the Commercial Law Article.

11-302.

(b) The licensing provisions of this subtitle do not apply to any of the following persons, if organized under the laws of this State or otherwise qualified to do business in this State:

(1) A banking institution;

(2) A national banking association;

(3) A federal or State savings and loan association;

(4) A federal or State credit union;

(5) A licensee under Subtitle 2 of this title;

(6) A seller of goods or services or both not engaged in:

(i) Making loans; or

(ii) Acting as a credit services business as defined under Title 14, Subtitle 19 of the Commercial Law Article;

(7) A licensee under Subtitle 5 of this title engaged solely in a mortgage lending business as defined in that subtitle; or

(8) An entity exempt from licensing as a mortgage lender under [§ 11-502(b)(10)] § 11-502(B)(3), (10), OR (13) of this title.

11-501.

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

(k) (1) “Mortgage lender” means any person who:

(i) Is a mortgage broker;

(ii) Makes a mortgage loan to any person; or

(iii) Is a mortgage servicer.

(2) “Mortgage lender” does not include:

(i) A financial institution that accepts deposits and is regulated under Title 3, Title 4, Title 5, or Title 6 of this article;

(ii) The Federal Home Loan Mortgage Corporation;

(iii) The Federal National Mortgage Association;

(iv) The Government National Mortgage Association;

(v) Any person engaged exclusively in the acquisition of all or any portion of a mortgage loan under any federal, State, or local governmental program of mortgage loan purchases; or

(vi) An affiliated insurance producer–mortgage loan originator licensed under § 11–603.1 of this title.

(l) (1) “Mortgage lending business” means the activities set forth in the definition of “mortgage lender” in subsection (k) of this section which require that person to be licensed under this subtitle.

(2) “Mortgage lending business” includes the making or procuring of mortgage loans secured by a dwelling or residential real estate located outside Maryland.

(m) (1) “Mortgage loan” means any loan primarily for personal, family, or household use that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on a dwelling or residential real estate on which a dwelling is constructed or intended to be constructed.

(2) “Mortgage loan” includes a loan in which funds are advanced through a shared appreciation agreement.

(P) “PASSIVE TRUST” MEANS A TRUST THAT:

(1) ACQUIRES OR IS ASSIGNED MORTGAGE LOANS IN WHOLE OR IN PART;

(2) DOES NOT MAKE MORTGAGE LOANS;

(3) IS NOT A MORTGAGE BROKER OR A MORTGAGE SERVICER; AND

(4) IS NOT ENGAGED IN THE SERVICING OF MORTGAGE LOANS, WHICH DOES NOT INCLUDE THE ACT OF TRANSMITTING OR DIRECTING PAYMENTS RECEIVED BY A MORTGAGE SERVICER.

[(p)] (Q) “Person” means a natural person, corporation, limited liability company, partnership, business trust, statutory trust, or association.

[(q)] (R) “Residential real estate” means any owner–occupied real property located in Maryland on which a dwelling is constructed or intended to be constructed.

[(r)] (S) “Shared appreciation agreement” means a writing evidencing a transaction or any option, future, or any other derivative between a person and a consumer where the consumer receives money or any other item of value in exchange for an interest or future interest in a dwelling or residential real estate, or a future obligation to repay a sum on the occurrence of an event such as:

(1) The transfer of ownership;

- (2) A repayment maturity date;
- (3) The death of the consumer; or
- (4) Any other event contemplated by the writing.

~~[(s)]~~ (T) “State” means the State of Maryland.

(U) “TRUST” INCLUDES ANY TRUST ESTABLISHED UNDER THE LAWS OF THE STATE OR ANY OTHER STATE.

11-502.

(b) The provisions of this subtitle do not apply to:

(1) Any 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;

(2) Any insurance company authorized to do business in the State;

(3) Any corporate instrumentality of the Government of the United States including:

(i) The Federal Home Loan Mortgage Corporation;

(ii) The Federal National Mortgage Association; [and]

(iii) The Government National Mortgage Association; AND

(IV) A TRUST ESTABLISHED BY ANY CORPORATE INSTRUMENTALITY OF THE GOVERNMENT OF THE UNITED STATES FOR THE PURPOSE OF ACQUIRING MORTGAGE LOANS;

(4) Any person who takes back a deferred purchase money mortgage in connection with the sale of:

(i) A dwelling or residential real estate owned by, and titled in the name of, that person; or

(ii) A new residential dwelling that the person built;

(5) A nonprofit charitable organization registered with the Maryland Secretary of State or a nonprofit religious organization;

(6) An employer making a mortgage loan to an employee;

(7) A person making a mortgage loan to a borrower who is the person's spouse, child, child's spouse, parent, sibling, grandparent, grandchild, or grandchild's spouse;

(8) A real estate broker who:

(i) Is licensed in the State; and

(ii) Makes a mortgage loan providing a repayment schedule of 2 years or less to assist the borrower in the purchase or sale of a dwelling or residential real estate through the broker;

(9) A home improvement contractor licensed under the Maryland Home Improvement Law who assigns a mortgage loan without recourse within 30 days after completion of the contract to a person licensed under this subtitle or to an institution that is exempt from this subtitle under item (1), (2), or (10) of this subsection;

(10) A subsidiary or affiliate of an institution described in subsection (c) of this section, which subsidiary or affiliate:

(i) Is subject to audit or examination by a regulatory body or agency of this State or the state where the subsidiary or affiliate maintains its principal office; and

(ii) Files with the Commissioner, prior to making mortgage loans, information sufficient to identify:

1. The correct corporate name of the subsidiary or affiliate;

2. An address and telephone number of a contact person for the subsidiary or affiliate;

3. A resident agent; and

4. Any additional information considered necessary by the Commissioner for protection of the public;

(11) Any employee benefit plan qualified under Internal Revenue Code § 401 or persons acting as fiduciaries with respect to such a plan, making mortgage loans solely to plan participants from plan assets; [or]

(12) Employees acting within the scope of their employment with:

(i) A licensed mortgage lender; or

(ii) A person who is exempt from licensure under this subtitle; OR

(13) A PASSIVE TRUST.

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) There is a Maryland Licensing Workgroup.

(b) The Workgroup consists of the following members:

(1) the Commissioner of Financial Regulation, or the Commissioner's designee;

(2) the following members jointly appointed by the President of the Senate and the Speaker of the House:

(i) ~~one representative~~ *three representatives* of a consumer advocacy organization with general knowledge about financial services, lending services, capital markets, and structured finance;

(ii) one representative of a banking institution operating in the State;

(iii) one representative of a credit union operating in the State;

(iv) one representative of a nonbank mortgage business operating in the State; and

(v) one member with expertise in:

1. State laws and regulations that impact the chartering, licensing, and supervision of the lending industry within the State; and

2. financial products and practices that impact consumers; and

(3) the following members appointed by the Governor:

(i) one member who has general knowledge about financial services, lending services, capital markets, and structured finance; and

(ii) one member of the public.

(c) The Commissioner of Financial Regulation, or the Commissioner's designee, shall serve as the chair of the Workgroup.

- (d) The Office of Financial Regulation shall provide staff for the Workgroup.
- (e) A member of the Workgroup:
 - (1) may not receive compensation as a member of the Workgroup; but
 - (2) is entitled to reimbursement for expenses under the Standard State Travel Regulations, as provided in the State budget.
- (f) The Workgroup shall:
 - (1) subject to subsection (g) of this section, study:
 - (i) all licensing statutes and regulations adopted under those statutes concerning the provision of financial services in the State;
 - (ii) the need for and the efficacy of the existing licensing and registration system for actively licensed persons who provide financial services in the State; and
 - (iii) whether there is any benefit to expanding existing licensing or registration systems to persons not already subject to those licensing requirements; and
 - (2) make recommendations regarding:
 - (i) the licensing and registration system for actively licensed persons who provide financial services in the State; and
 - (ii) the expansion of the existing licensing or registration systems to persons not already subject to those licensing requirements.
- (g) In conducting the study required under subsection (f) of this section, the Workgroup shall, at a minimum, consider the potential impacts, costs, and benefits of its recommendations on:
 - (1) residents of the State;
 - (2) persons facilitating, brokering, making, servicing, or acquiring loans in the State;
 - (3) the availability of credit in the State;
 - (4) the cost of credit in the State compared to other states; and
 - (5) the capital markets, including the volume of secondary market transactions.

(h) On or before December 31, 2025, the Workgroup shall report its findings and recommendations to the Governor and, in accordance with § 2-1257 of the State Government Article, the General Assembly.

SECTION 3. AND BE IT FURTHER ENACTED, That the intent of Section 1 of this Act is to clarify existing exemptions under State law.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act is an emergency measure, is necessary for the immediate preservation of the public health or safety, has been passed by a ye and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, and shall take effect from the date it is enacted. Section 2 of this Act shall remain effective through June 30, 2026, and, at the end of June 30, 2026, Section 2 of this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.

Approved by the Governor, April 22, 2025.