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Maryland General Assembly
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FISCAL AND POLICY NOTE
First Reader

House Bill 38
Economic Matters

**Financial Institutions - Licensing of Affiliated Insurance Producer-Mortgage
Loan Originators - Alteration**

This bill allows an individual who originates loans on behalf of a single mortgage lender that is not a financial institution to be licensed as an “affiliated insurance producer-mortgage loan originator (AIP-MLO)” under specified conditions. Any individual licensed under the bill is subject to the licensing and regulatory framework set forth in current law for AIP-MLOs who work for financial institutions. The bill makes conforming changes, including substituting “sponsor” for “employer” in relevant portions of current law.

Fiscal Summary

State Effect: Potentially minimal increase in special fund revenues due to license application and other related fees beginning in FY 2027. The Office of Financial Regulation (OFR) can otherwise implement the bill with existing budgeted resources.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: None.

Analysis

Current Law:

Definitions

A “financial institution” refers to 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.

A “mortgage lender” means any person who (1) is a mortgage broker; (2) makes a mortgage loan to any person; or (3) is a mortgage servicer. A “mortgage lender” does not include (1) a financial institution that accepts deposits and is regulated under Title 3, 4, 5, or 6 of the Financial Institutions Article; (2) the Federal Home Loan Mortgage Corporation; (3) the Federal National Mortgage Association; (4) the Government National Mortgage Association; (5) 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 (6) an affiliated insurance producer-mortgage loan originator, as specified.

An “affiliated insurance producer-mortgage loan originator” is an individual who (1) originates mortgage loans only on behalf of a single financial institution approved by OFR; (2) is a licensed insurance producer in good standing; and (3) holds an appointment as an insurance producer for an insurer that controls, or is controlled by, the aforementioned financial institution or an approved mortgage lender licensee approved by OFR.

When approving a financial institution or mortgage lender licensee, OFR must determine if the financial institution or licensee is in good standing with their primary state or federal regulator (including OFR for licensees) and is in material compliance with applicable State and federal law. OFR must notify a financial institution or a mortgage lender licensee of approval in writing.

Among other requirements, applications to be an AIP-MLO must identify:

- the financial institution;
- if applicable, the mortgage lender licensee; and
- the insurer with which the applicant holds an appointment.

The application must be signed by an authorized representative of the financial institution or the mortgage lender licensee identified in the application, as applicable.

A licensed affiliated insurance producer-mortgage loan originator must limit their activities to originating mortgage loans only on behalf of a single financial institution approved by OFR.

The financial institution identified in a licensee’s license application or, if a mortgage lender licensee is identified in a licensee’s license application, the mortgage lender licensee must: (1) supervise the licensee, as specified; (2) be held jointly and severally liable with the licensee for claims arising out of the licensee’s mortgage loan origination activities; and (3) meet, or cause the licensee to meet, surety bond requirements in current law, as specified.

Affiliated insurance producer-mortgage loan originators are exempt from certain provisions of law applicable to mortgage loan originator licensees. Furthermore, an affiliated insurance producer-mortgage loan originator is not considered a mortgage lender within the scope of the Maryland Mortgage Lender Law. A licensee who is an affiliated insurance producer-mortgage loan originator must also maintain a surety bond that meets specified requirements.

A licensed affiliated insurance producer-mortgage loan originator may not, among other things, aid or assist a borrower to obtain a mortgage loan from a financial institution other than the financial institution identified in the licensee's license application.

A licensed affiliated insurance producer-mortgage loan originator may forward a check to the financial institution identified in the licensee's license application if the check is: (1) made payable to the financial institution; (2) from an applicant for a mortgage loan; and (3) in connection with an application for a mortgage loan to cover certain costs.

The Office of Financial Regulation

OFR is responsible for licensing and regulating mortgage lenders, brokers, servicers and loan originators, and other financial institutions. The office also supervises and regulates State-chartered financial institutions including State-chartered banks, credit unions, and trust companies. Supervision includes periodic on-site evaluations as well as off-site monitoring programs. The office responds to consumer complaints and oversees retail credit accounts, retail installment contracts, and credit grantor contracts.

State Revenues: The bill expands eligibility for AIP-MLO licensure, which carries a licensing fee of \$700. OFR advises that it has not received any applications for AIP-MLO licenses since 2020, with the number of licensees peaking at 27 in 2010. Based on this information, this analysis assumes that few if any entities apply for an AIP-MLO license authorized by the bill. Based on this assumption, any impact on revenues is anticipated to be minimal.

Additional Comments: The bill replaces references to "employer" with "sponsor" numerous times throughout § 11-603.1 of the Financial Institutions Article, presumably because some AIP-MLOs are independent contractors. However, the term sponsor is never defined. The Maryland Department of Labor advises that, as it is used in the bill, the term sponsor is not used in other relevant areas of current law.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

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