

HOUSE BILL 223

I1, I2

4lr0894

HB 400/23 – ECM

(PRE-FILED)

By: **Delegate Queen**

Requested: October 9, 2023

Introduced and read first time: January 10, 2024

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: February 20, 2024

CHAPTER _____

1 AN ACT concerning

2 **Commercial Law – Mortgage Loans – Verification of Ability to Repay**

3 FOR the purpose of exempting mortgage loans made by community development financial
4 institutions from certain requirements to verify the borrower’s ability to repay; and
5 generally relating to mortgage loans.

6 BY repealing and reenacting, with amendments,

7 Article – Commercial Law

8 Section 12–1029

9 Annotated Code of Maryland

10 (2013 Replacement Volume and 2023 Supplement)

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

13 **Article – Commercial Law**

14 12–1029.

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

16 (2) “Fully indexed rate” means the index rate, as defined in the mortgage
17 loan documents, prevailing at the time the mortgage loan is approved by the credit grantor,
18 plus the margin that will apply after the expiration of an introductory interest rate.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



(3) (i) "Mortgage loan" has the meaning stated in § 11-501 of the Financial Institutions Article.

(ii) "Mortgage loan" does not include a reverse mortgage loan.

(b) A credit grantor may not make a mortgage loan without giving due regard to the borrower's ability to repay the mortgage loan in accordance with its terms, including the fully indexed rate of the mortgage loan, if applicable, and property taxes and homeowner's insurance whether or not an escrow account is established for the collection and payment of these expenses.

(c) (1) Due regard to a borrower's ability to repay a mortgage loan must include:

(i) Consideration of the borrower's debt to income ratio, including existing debts and other obligations; and

(ii) Verification of the borrower's gross monthly income and assets by review of third-party written documentation reasonably believed by the credit grantor to be accurate and complete.

(2) Acceptable third-party written documentation includes:

(i) The borrower's Internal Revenue Service form W-2;

(ii) A copy of the borrower's income tax return;

(iii) Payroll receipts;

(iv) The records of a financial institution; or

(v) Other third-party documents that provide reasonably reliable evidence of the borrower's income or assets.

(3) This subsection does not apply to a mortgage loan:

(i) Approved for government guaranty by the Federal Housing Administration, the Veterans Administration, the United States Department of Agriculture, the Maryland Department of Housing and Community Development, or the Community Development Administration; [or]

(ii) That refinances an existing mortgage loan if the refinance mortgage loan is:

1. Offered under the federal Homeowner Affordability and Stability Plan; and

1 2. Made available by the Federal Home Loan Mortgage
2 Corporation or the Federal National Mortgage Association; **OR**

3 **(III) MADE BY A COMMUNITY DEVELOPMENT FINANCIAL**
4 **INSTITUTION, AS DEFINED IN § 6-201 OF THE HOUSING AND COMMUNITY**
5 **DEVELOPMENT ARTICLE.**

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2024.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.