

# HOUSE BILL 314

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By: **Delegate Holmes**

Introduced and read first time: January 20, 2020

Assigned to: Environment and Transportation

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Committee Report: Favorable

House action: Adopted

Read second time: February 25, 2020

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Real Property – Lien Priority of Refinance Mortgages – Exception for**  
3 **Government Junior Mortgages**

4 FOR the purpose of establishing that a certain provision of law authorizing a mortgagor or  
5 grantor to refinance the indebtedness secured by a first mortgage or deed of trust  
6 without obtaining permission from the holder of a certain junior lien does not apply  
7 to certain junior liens; providing for the application of this Act; and generally relating  
8 to lien priority and refinance mortgages.

9 BY repealing and reenacting, with amendments,  
10 Article – Real Property  
11 Section 7–112  
12 Annotated Code of Maryland  
13 (2015 Replacement Volume and 2019 Supplement)

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

16 **Article – Real Property**

17 7–112.

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

19 (2) “Escrow costs” means money to pay property taxes, hazard insurance,

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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.



1 mortgage insurance, and similar costs associated with real property secured by a refinance  
2 mortgage that a lender requires to be collected at closing and held in escrow.

3 (3) (i) “Junior lien” means a mortgage, deed of trust, or other security  
4 instrument that is subordinate in priority to a first mortgage or deed of trust under §  
5 3–203 of this article.

6 (ii) “Junior lien” does not include:

- 7 1. A judgment lien; or
- 8 2. A lien filed under the Maryland Contract Lien Act.

9 (4) “Refinance mortgage” means a mortgage, deed of trust, or other security  
10 instrument given to secure the refinancing of indebtedness secured by a first mortgage or  
11 deed of trust.

12 (5) “Residential property” means real property improved by four or fewer  
13 single family dwelling units that are designed principally and are intended for human  
14 habitation.

15 **(B) THIS SECTION DOES NOT APPLY TO A JUNIOR LIEN SECURING A LOAN**  
16 **MADE BY A STATE OR LOCAL GOVERNMENT AGENCY WITH A 0% INTEREST RATE.**

17 **[(b)] (C)** A mortgagor or grantor who refinances in full the unpaid indebtedness  
18 secured by a first mortgage or deed of trust encumbering or conveying an interest in  
19 residential property at an interest rate lower than provided for in the evidence of  
20 indebtedness secured by the first mortgage or deed of trust is not required to obtain  
21 permission from the holder of a junior lien if:

22 (1) The principal amount secured by the junior lien does not exceed  
23 \$150,000; and

24 (2) The principal amount secured by the refinance mortgage does not  
25 exceed the unpaid outstanding principal balance secured by the first mortgage or deed of  
26 trust plus an amount not exceeding \$5,000 to pay closing costs and escrow costs.

27 **[(c)] (D)** A refinance mortgage that meets the requirements of subsection **[(b)]**  
28 **(C)** of this section shall have, on recordation, the same lien priority as the first mortgage  
29 or deed of trust that the refinance mortgage replaces.

30 **[(d)] (E)** A refinance mortgage that meets the requirements of subsection **[(b)]**  
31 **(C)** of this section shall include the following statement in bold or capitalized letters: “This  
32 is a refinance of a deed of trust/mortgage/other security instrument recorded among the  
33 land records of ..... county/city, Maryland in liber no. .... folio ....., in the original  
34 principal amount of ....., and with the unpaid outstanding principal balance of .....

1 The interest rate provided for in the evidence of indebtedness secured by this refinance  
2 mortgage is lower than the applicable interest rate provided for in the evidence of  
3 indebtedness secured by the deed of trust/mortgage/other security instrument being  
4 refinanced.”

5 [(e)] (F) The priorities among two or more junior liens shall be governed by §  
6 3–203 of this article.

7 [(f)] (G) This section may not be construed to preempt or abrogate the operation  
8 or effect of, or ability of a court to apply the principles of, equitable subrogation or equitable  
9 subordination.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to  
11 apply only prospectively and may not be applied or interpreted to have any effect on or  
12 application to any refinance mortgage recorded or having an effective date before the  
13 effective date of this Act.

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
15 1, 2020.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.