

HOUSE BILL 1150

I2, I1

3lr1371

By: **Delegate Queen**

Introduced and read first time: February 10, 2023

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Commercial Law and Financial Institutions – Credit Regulation – Shared**
3 **Appreciation Agreements**

4 FOR the purpose of making certain shared appreciation agreements subject to the
5 Maryland Mortgage Lender Law and other provisions of law that regulate certain
6 loans of single extensions of closed end credit and revolving credit plans; authorizing
7 the Commissioner of Financial Regulation to adopt certain regulations regarding the
8 enforcement of and compliance with provisions of law that regulate shared
9 appreciation agreements; and generally relating to credit regulation and shared
10 appreciation agreements.

11 BY repealing and reenacting, without amendments,
12 Article – Commercial Law
13 Section 12–901(a) and 12–1001(a)
14 Annotated Code of Maryland
15 (2013 Replacement Volume and 2022 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article – Commercial Law
18 Section 12–901(g) and (g–1) through (l), 12–913.1, 12–922, 12–1001(j) and (k–1)
19 through (m), and 12–1013
20 Annotated Code of Maryland
21 (2013 Replacement Volume and 2022 Supplement)

22 BY adding to
23 Article – Commercial Law
24 Section 12–901(n), 12–926, 12–1001(o), and 12–1030
25 Annotated Code of Maryland
26 (2013 Replacement Volume and 2022 Supplement)

27 BY repealing and reenacting, without amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Financial Institutions
2 Section 11–501(a)
3 Annotated Code of Maryland
4 (2020 Replacement Volume and 2022 Supplement)

5 BY repealing and reenacting, with amendments,
6 Article – Financial Institutions
7 Section 11–501(h–1) through (q)
8 Annotated Code of Maryland
9 (2020 Replacement Volume and 2022 Supplement)

10 BY adding to
11 Article – Financial Institutions
12 Section 11–501(r)
13 Annotated Code of Maryland
14 (2020 Replacement Volume and 2022 Supplement)

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

17 **Article – Commercial Law**

18 12–901.

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

20 (g) **(1)** “Loan” means a cash advance to be paid to or for the account of the
21 borrower.

22 **(2)** “**LOAN**” INCLUDES AN ADVANCE MADE IN ACCORDANCE WITH THE
23 **TERMS OF A SHARED APPRECIATION AGREEMENT.**

24 **[(g–1)] (H)** “Mobile home” has the meaning stated in § 11–501 of the Financial
25 Institutions Article.

26 **[(h)] (I)** “Nonconsumer borrower” means any borrower other than a consumer
27 borrower.

28 **[(i)] (J)** (1) “Outstanding unpaid indebtedness” means on any day the total
29 amount of purchases and loans charged to the borrower’s account under the plan which is
30 outstanding and unpaid at the end of the day, after adding the aggregate amount of any
31 new purchases and loans charged to the account that day and deducting the aggregate
32 amount of any payments and credits applied to the account that day.

33 (2) If the agreement governing the plan permits, “outstanding unpaid
34 indebtedness” may include the amount of any interest, finance charges, and additional

1 charges, including late or delinquency charges, that have accrued in the account and are
2 unpaid at the end of the day.

3 **[(j)] (K)** “Purchase” means an extension of credit for a purchase of real or
4 personal, tangible or intangible property, or an extension of credit for services, licenses,
5 taxes, official fees, fines, private or governmental obligations, or any other thing of value,
6 including a charitable contribution.

7 **[(k)] (L)** “Residential real property” means owner–occupied real property having
8 a dwelling on it designated principally as a residence with accommodations for not more
9 than four families.

10 **[(l)] (M)** “Revolving credit plan” or “plan” means a plan that contemplates the
11 extension of credit under an account governed by an agreement between a credit grantor
12 and a borrower under which:

13 (1) The credit grantor permits the borrower and, if the agreement
14 governing the plan permits, persons acting on behalf of or with authorization from the
15 borrower to make purchases or obtain loans from time to time;

16 (2) The amounts of purchases and loans are charged to the borrower’s
17 account;

18 (3) The borrower is required to pay the credit grantor the amounts of all
19 purchases and loans charged to the borrower’s account under the plan but has the privilege
20 of paying amounts due from time to time as agreed; and

21 (4) Interest or finance charges may be charged and collected by the credit
22 grantor from time to time on the amounts due under the plan.

23 **(N) “SHARED APPRECIATION AGREEMENT” HAS THE MEANING STATED IN §**
24 **11–501 OF THE FINANCIAL INSTITUTIONS ARTICLE.**

25 12–913.1.

26 (a) (1) On or after October 1, 1993, a credit grantor may at its option elect to
27 offer a plan to any borrower either pursuant to this subtitle or as otherwise permitted by
28 applicable law.

29 (2) In order for a plan to be established under and governed by this subtitle,
30 a credit grantor shall make a written election to that effect in the agreement governing the
31 plan.

32 (b) (1) If a credit grantor elects in accordance with this section to establish a
33 plan under this subtitle, the provisions of Subtitle 1, 3, 4, 5, 6, or 10 of this title do not apply
34 to the plan.

1 (2) If a person fails to elect in accordance with this section to establish a
2 plan under this subtitle, the provisions of this subtitle do not apply.

3 (C) NOTWITHSTANDING ANY OTHER PROVISION OF THIS TITLE, A LOAN
4 SHALL BE SUBJECT TO THE PROVISIONS OF THIS SUBTITLE, WHETHER OR NOT
5 ELECTED, IF THE LOAN:

6 (1) IS A SHARED APPRECIATION AGREEMENT; AND

7 (2) ALLOWS THE BORROWER TO REPAY ADVANCES AND HAVE ANY
8 REPAID AMOUNTS SUBSEQUENTLY READVANCED TO THE BORROWER.

9 12-922.

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

11 (2) "Borrower" means a consumer borrower who makes an application for
12 a loan secured by a first mortgage or first deed of trust on residential real property to be
13 occupied by the borrower as the borrower's primary residence.

14 (3) "Commitment" means a written, specific, binding agreement between a
15 borrower and a lender which sets forth the terms of a loan being extended to the borrower.

16 (4) "Financing agreement" means a written agreement between a borrower
17 and a lender [which sets] THAT:

18 (I) SETS forth the terms of a purchase money loan or a refinancing
19 of an existing loan that:

20 [(i)] 1. Results in or is secured by a first mortgage or a first deed
21 of trust on residential real property to be occupied by the borrower; and

22 [(ii)] 2. Is offered or extended to the borrower; OR

23 (II) IS A SHARED APPRECIATION AGREEMENT.

24 (5) (i) "Lender" means a credit grantor subject to the licensing
25 requirements of Title 11, Subtitle 5 of the Financial Institutions Article.

26 (ii) "Lender" does not include a credit grantor exempt from licensing
27 under § 11-502 of the Financial Institutions Article.

28 (6) (i) "Loan application" means any oral or written request for an
29 extension of credit that is made in accordance with procedures established by a lender for
30 the purpose of inducing the lender to seek to procure or make a mortgage loan.

1 (ii) "Loan application" does not include the use of an account or line
2 of credit to obtain a loan within a previously established credit limit.

3 (b) (1) A lender who offers to make or procure a loan secured by a first
4 mortgage or first deed of trust on residential real property to be occupied by the borrower
5 shall provide the borrower with a financing agreement executed by the lender within 10
6 business days after the date the loan application is completed.

7 (2) The financing agreement shall provide:

8 (i) The term and principal amount of the loan;

9 (ii) An explanation of the type of mortgage loan being offered;

10 (iii) The rate of interest that will apply to the loan and, if the rate is
11 subject to change or is a variable rate or is subject to final determination at a future date
12 based on some objective standard, a specific statement of those facts;

13 (iv) The points, if any, to be paid by the borrower or the seller, or
14 both; and

15 (v) The term during which the financing agreement remains in
16 effect.

17 (3) If all the provisions of the financing agreement are not subject to future
18 determination, change, or alteration during its term, the financing agreement shall
19 constitute the final binding agreement between the parties as to the items covered by the
20 financing agreement.

21 (c) (1) If any of the provisions of the financing agreement are subject to change
22 or determination after its execution, the lender shall provide the borrower with a
23 commitment, executed by the lender, at least 72 hours before the time of settlement agreed
24 to by the parties, providing:

25 (i) The effective fixed interest rate or initial interest rate that will
26 be applied to the loan; and

27 (ii) A restatement of all the remaining unchanged provisions of the
28 financing agreement.

29 (2) Subsequent to execution of the financing agreement, the borrower may
30 waive in writing the 72-hour advance presentation requirement and accept the
31 commitment at settlement only if compliance with the 72-hour requirement is shown by
32 the lender to be infeasible.

33 (d) (1) A borrower aggrieved by any violation of this section shall be entitled
34 to bring a civil suit for damages, including reasonable attorney's fees, against the lender.

1 (2) The penalties set out under § 12–918 of this subtitle do not apply to any
2 violation of this section.

3 **12–926.**

4 **THE COMMISSIONER OF FINANCIAL REGULATION MAY ADOPT REGULATIONS**
5 **REGARDING THE ENFORCEMENT OF AND COMPLIANCE WITH THIS SUBTITLE AS TO**
6 **CREDIT GRANTORS WHO OFFER OR MAKE SHARED APPRECIATION AGREEMENTS**
7 **UNDER THIS SUBTITLE.**

8 12–1001.

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

10 (j) **(1)** “Loan” means any single extension of closed end credit, whether
11 repayable in installments, on demand, or otherwise and whether extended in one or more
12 advances.

13 **(2)** **“LOAN” INCLUDES AN ADVANCE MADE IN ACCORDANCE WITH THE**
14 **TERMS OF A SHARED APPRECIATION AGREEMENT.**

15 [(k–1)] **(L)** “Mobile home” has the meaning stated in § 11–501 of the Financial
16 Institutions Article.

17 [(l)] **(M)** “Remaining loan balance”, when used in reference to a debt cancellation
18 agreement, does not include:

19 (1) Any delinquent or deferred payments;

20 (2) Past due charges;

21 (3) Late payment charges;

22 (4) Unearned interest;

23 (5) Unearned rental payments;

24 (6) The portion of any financed taxes or charges, including charges for
25 credit life insurance, credit health insurance, credit involuntary unemployment benefit
26 insurance, and mechanical repair contracts, actually refunded to the borrower or credited
27 as a reduction to the loan balance; or

28 (7) By agreement of the parties, the amount of any primary insurance
29 deductible.

1 **[(m)] (N)** “Residential real property” means owner–occupied real property having
2 a dwelling on it designated principally as a residence with accommodations for not more
3 than four families.

4 **(O) “SHARED APPRECIATION AGREEMENT” HAS THE MEANING STATED IN §**
5 **11–501 OF THE FINANCIAL INSTITUTIONS ARTICLE.**

6 12–1013.

7 (a) Unless otherwise provided under the express terms of the agreement, note, or
8 other evidence of the extension of closed end credit, the provisions of Subtitle 1, 3, 4, 5, 6,
9 or 9 of this title do not apply to an extension of closed end credit if:

10 (1) The agreement, note, or other evidence of the extension of credit is made
11 before October 1, 1993; and

12 (2) The extension of credit is made under this subtitle before October 1,
13 1993.

14 (b) For the purposes of subsection (a) of this section, an extension of credit is made
15 under this subtitle if:

16 (1) The credit grantor has made a written election to do so in the
17 agreement, note, or other evidence of the extension of credit; or

18 (2) The agreement, note, or other evidence of the extension of credit is made
19 pursuant to the provisions of this subtitle.

20 (c) For the purposes of subsection (a) of this section, if there is no written election
21 to extend credit under this subtitle, the burden of proof is on the credit grantor to show the
22 agreement, note, or other evidence of the extension of credit was made pursuant to this
23 subtitle.

24 (d) Any agreement, note, or other evidence of an extension of credit made before
25 October 1, 1993 is not subject to § 12–1013.2 of this subtitle.

26 **(E) NOTWITHSTANDING ANY OTHER PROVISION OF THIS TITLE, A LOAN**
27 **SHALL BE SUBJECT TO THE PROVISIONS OF THIS SUBTITLE, WHETHER OR NOT**
28 **ELECTED, IF THE LOAN:**

29 **(1) IS A SHARED APPRECIATION AGREEMENT; AND**

30 **(2) DOES NOT ALLOW THE BORROWER TO REPAY ADVANCES AND**
31 **HAVE ANY REPAID AMOUNTS SUBSEQUENTLY READVANCED TO THE BORROWER.**

32 12–1030.

1 **THE COMMISSIONER OF FINANCIAL REGULATION MAY ADOPT REGULATIONS**
 2 **REGARDING THE ENFORCEMENT OF AND COMPLIANCE WITH THIS SUBTITLE AS TO**
 3 **CREDIT GRANTORS WHO OFFER OR MAKE SHARED APPRECIATION AGREEMENTS**
 4 **UNDER THIS SUBTITLE.**

5 **Article – Financial Institutions**

6 11-501.

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

8 **[(h-1)] (I)** “Mobile home” means a structure, including the plumbing, heating, air
 9 conditioning, and electrical systems contained in the structure, that is:

10 (1) Transportable in one or more sections;

11 (2) Eight or more body feet in width and 30 or more body feet in length;

12 (3) Built on a permanent chassis; and

13 (4) Permanently attached to land or connected to utility, water, or sewage
 14 facilities.

15 **[(i)] (J)** “Mortgage broker” means a person who:

16 (1) For a fee or other valuable consideration, whether received directly or
 17 indirectly, aids or assists a borrower in obtaining a mortgage loan; and

18 (2) Is not named as a lender in the agreement, note, deed of trust, or other
 19 evidence of the indebtedness.

20 **[(j)] (K)** (1) “Mortgage lender” means any person who:

21 (i) Is a mortgage broker;

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

23 (iii) Is a mortgage servicer.

24 (2) “Mortgage lender” does not include:

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

27 (ii) The Federal Home Loan Mortgage Corporation;

1 (iii) The Federal National Mortgage Association;

2 (iv) The Government National Mortgage Association;

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

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

8 **[(k)] (L)** (1) “Mortgage lending business” means the activities set forth in the
9 definition of “mortgage lender” in subsection **[(j)] (K)** of this section which require that
10 person to be licensed under this subtitle.

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

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

17 **(2) “MORTGAGE LOAN” INCLUDES A LOAN IN WHICH FUNDS ARE**
18 **ADVANCED THROUGH A SHARED APPRECIATION AGREEMENT.**

19 **[(m)] (N)** “Mortgage loan originator” has the meaning stated in § 11–601 of this
20 title.

21 **[(n)] (O)** “Mortgage servicer” means a person who:

22 (1) Engages in whole or in part in the business of servicing mortgage loans
23 for others; or

24 (2) Collects or otherwise receives payments on mortgage loans directly
25 from borrowers for distribution to any other person.

26 **[(o)] (P)** “Person” means a natural person, corporation, limited liability
27 company, partnership, business trust, statutory trust, or association.

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

30 **(R) “SHARED APPRECIATION AGREEMENT” MEANS A WRITING EVIDENCING**
31 **A TRANSACTION OR ANY OPTION, FUTURE, OR ANY OTHER DERIVATIVE BETWEEN A**

1 PERSON AND A CONSUMER WHERE THE CONSUMER RECEIVES MONEY OR ANY OTHER
2 ITEM OF VALUE IN EXCHANGE FOR AN INTEREST OR FUTURE INTEREST IN A
3 DWELLING OR RESIDENTIAL REAL ESTATE, OR A FUTURE OBLIGATION TO REPAY A
4 SUM ON THE OCCURRENCE OF AN EVENT SUCH AS:

5 (1) THE TRANSFER OF OWNERSHIP;

6 (2) A REPAYMENT MATURITY DATE;

7 (3) THE DEATH OF THE CONSUMER; OR

8 (4) ANY OTHER EVENT CONTEMPLATED BY THE WRITING.

9 [(q)] (S) "State" means the State of Maryland.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
11 1, 2023.