

**GR 21 - HB 1213 - alternative determination of cre**

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**House Bill 1213 – Financial Institutions - Determination of Creditworthiness  
Alternative Methods**

**Senate Finance Committee**

**March 30, 2021**

**Support**

Introduced as a part of the Speaker of the House’s social justice agenda, HB 1213 - Financial Institutions - Determination of Creditworthiness - Alternative Methods requires State-chartered financial institutions (banking institutions, credit unions, savings and loan associations, and certain credit grantors) to consider alternative methods of evaluating the creditworthiness of an applicant for a primary residential mortgage loan or an extension of credit. The factors include the applicant’s (1) history of rent or mortgage payments; (2) history of utility payments; (3) school attendance; and (4) work attendance.

MBA worked closely with the bill sponsor and other stakeholders, including the Maryland Mortgage Bankers Association, Maryland/DC Credit Union Association, and non-bank lenders to develop amendments to align the bill’s requirements with existing federal regulations and to make it clear that the information listed in the bill must be verifiable and supplied by the applicant. The consensus amendments, were unanimously adopted the House Economic Matters Committee.

MBA fully supports the HB 1213, as amended by the House, and urges a favorable Committee report.

**Queen\_2021-creditworthiness-HB1213-FIN (1).pdf**

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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**TESTIMONY OF DELEGATE PAM QUEEN**  
**HB 1213 – Determination of Credit Worthiness Alternative Methods**  
**SUPPORT**

Greetings Chair Delores Kelley, Vice-Chair Brian Feldman, and members of the Finance Committee:

This bill addresses inequities in access to capital, especially for home purchases due to methods of determining credit worthiness. In Maryland, the average homeownership is 66.9% whereas, homeownership for Blacks is 51.8% and for Hispanics is 52.9% as compared to 76.8% for Whites. Furthermore, the credit rating for Blacks is lower than other races.

According to the National Association of Real-Estate Brokers (NAREB) in Maryland loan denial rate for Blacks is 30.33% and for Hispanics is 22.20% versus 14.60% for Whites. Finding alternative ways to evaluate creditworthiness will improve these disproportional rates as highlighted in an article from the *Consumer Financial Protection Bureau (CFPB)* - <https://www.consumerfinance.gov/about-us/blog/using-alternative-data-evaluate-creditworthiness/>.

Homeownership has many benefits for the community, including less crime, better performance of children in school, a boost to local economies, and generational wealth is created. While there are inequities related to a racial wage gap that contributes to low credit ratings and subsequently low homeownership, researchers contend that pathways to homeownership which is essential for individual and societal benefits can be achieved with alternative methods of creditworthiness.

This bill pass unanimously from the House Economic Matters Committee and overwhelmingly passed out of the House Chambers. I seek a favorable recommendation for this bill to make homeownership a dream for all Marylanders.