STATE HIGH COST/PREDATORY LENDING REGULATIONS

Updated February 26, 2015

State: Maryland

Law: Code of Maryland Regulations Chapter 9.02 updated 2/2009

Public Link: **http://www.dsd.state.md.us/comar/09/09.03.06.02.htm**

Loan Covered: __X___Conventional __X___FHA ___X____VA

Maximum Loan Amount Covered: None specified

Loan Purposes Covered: __**X**___Purchase __**X**___Construction/Perm (refinance of construction loan)

_____Construction _**X**___Refinance __**X**__Home Equity/closed end

___**X**__HELOC _**X**___Bridge Loan

__**X**___Purchase Plus _**X**___Refinance Plus __**X**__Home Improvement

_____One time with modification _X___One-time Closing

Borrower(s) Covered: Natural person or trust
(See MD Annotated Code 12-127(B)(3) for exception)

Property Covered: 1-4 owner occupied residential property

Total Loan Amount is: __ X__ SAME AS HOEPA/SECTION 32

_______ NOTE AMOUNT

APR Test: **1st Lien** 5.5% above APOR (using fully indexed rate for ARM loans)
Subordinate Lien 7.5% above APOR (using fully indexed rate for ARM loans)

Fee Test: 4% of total loan amount for loans over $20,391
Lesser of 7% or $1,020 for loans less than $20,391

See Regulatory Bulletin 1.3-104 below regarding 1st time home buyers.

Covered Loans - (Effective October 1, 2002) **-** "Covered loans" are mortgage loans subject to the Federal Home Ownership Equity Protection Act (HOEPA) [15 U.S.C. 1602(aa)] except that the comparison percentages for the mortgage loan shall be one percentage point less than those specified in HOEPA. [MD Commercial Law Section 12-124.1.

X.C. Subprime Loans Last updated 03/27/2013
Mortgage Lender Law The Maryland Mortgage Lender Law imposes restrictions on loans meeting the definition of a “higher-priced mortgage loan.”
“Higher-priced mortgage loan” means a mortgage loan for which the annual percentage rate exceeds the average prime offer rate for a comparable transaction as of the date the interest rate is set by:

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(1)1.5 or more percentage points for loans secured by a first lien on residential real property; or(2)3.5 or more percentage points for loans secured by a subordinate lien on residential real property.Higher-priced mortgage loan does not include a:
(1)transaction to finance the initial construction of a dwelling on residential real property;(2)temporary loan with a term of 12 months or less, such as a loan to purchase residential real property where the borrower plans to sell a current residential real property within 12 months;(3)reverse mortgage transaction subject to 12 CFR §1026.33; or(4)home equity line of credit."Average prime offer rate" means an annual percentage rate that is derived from average interest rates, points, and other loan pricing terms currently offered to consumers by a representative sample of creditors for mortgage transactions that have low-risk pricing characteristics. The Board of Governors of the Federal Reserve publishes average prime offer rates for a broad range of types of transactions in a table updated at least weekly as well as the methodology the Board uses to derive these rates.
Md. Regs. Code tit. 09, §03.06.02(B).

Statement on Subprime Mortgage Lending

The Maryland Commissioner of Financial Regulation (Commissioner) has adopted the Statement on Subprime Mortgage Lending (Subprime Statement), developed by the CSBS, the AARMR, and the National Association of Consumer Credit Administrators (NACCA). The Subprime Statement addresses the emerging risks associated with certain subprime mortgage products and lending practices. In particular, the Subprime Statement addresses certain adjustable rate mortgage products that could result in "payment shock" to borrowers. The Subprime Statement is an attempt to assist state regulators in promoting consistent practices in the mortgage market, and to clarify how mortgage lenders and brokers can offer subprime loans in a fair and prudent manner that clearly discloses the risks that borrowers may assume.

The term "subprime" refers to the credit characteristics of individual borrowers. "Subprime borrowers" typically have weakened credit histories that include payment delinquencies, and possibly more severe problems such as charge-offs, judgments, and bankruptcies. They may also display reduced repayment capacity as measured by credit scores, debt-to-income (DTI) ratios, or other criteria that may encompass borrowers with incomplete credit histories. "Subprime loans" are loans to borrowers displaying 1 or more of these characteristics at the time of origination or purchase. These loans have a higher risk of default than loans to prime borrowers.

SPECIAL NOTES:

Maryland has added section 9.02.06.21 which describes "Non-traditional loans" and "Higher Price Loans". Both types of loans require additional disclosures and special training for loan officers so they are presented correctly to potential borrowers. Lender should check with investor to be sure loan will be purchased.

Non-traditional loans are those loans that defer payment of principal, interest or both.

Higher Price loans are
1ST LIEN 1.5% or greater over the "Average Prime Rate offer published by the FFIEC on their website as of the date the interest rate is set .

SUBORDINATE LIEN 3.5% or greater above the FFIEC Average Prime Rate

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