

Disclaimer: The material below is for general informational purposes only and not for the purpose of providing legal advice. Anyone reviewing the below material should contact his or her own attorney to obtain legal advice with respect to any particular transaction, issue, or problem. The material below is designed for use by state or federal financial institutions. State licensed lenders or brokers should consult alternate reference materials. Use or review of the below materials does not create an attorney-client relationship between PPDocs, Inc. and the user or reviewer.

# Maryland

## STATE HIGH COST/PREDATORY LENDING REGULATIONS

Last Updated: 2/23/2018 By: BH

Coded: 3/2/2018 By: ZB

Reviewed: 3/2/2018 By: BH

**LAW:** Code of Maryland Regulations - Chapter 9.02 updated 2/2009 and Maryland Commercial Law Title 12, Section 12-124.1

**LOAN AMOUNT COVERED:** None specified

**BORROWERS COVERED:** (See MD Annotated Code 12/127(b)(3) for exception)

Individuals  Trusts  
 Organizations  Other:

**TOTAL LOAN AMOUNT (TLA) IS DEFINED AS:** Code of Maryland Regulations - Chapter 9.02 updated 2/2009

Loan Amount as defined in HOEPA 226.32  Note Amount  
 Loan Amount as defined in HCML 1026.32  Other:

**LOAN TYPES COVERED:**

Conventional  FHA  
 VA  RHS  
 Other:

**LOAN PURPOSES COVERED:**

Purchase  Construction to Perm  
 Builder  Refinance  
 Equity Out  Home Equity Closed End  
 One Time Closing  Modification  
 Purchase Plus Improvements  Refinance Plus Improvements  
 Lot Loan  Home Improvement  
 Borrower Interim  One Time Closing with Modification  
 HELOC  Assumption

**BRIDGE LOANS COVERED**

Yes  No

**PROPERTY OCCUPANCY COVERED:**

Primary Residence  Second Home  
 Investment  Raw Land

**APR THRESHOLDS:** <http://law.justia.com/codes/maryland/2010/commercial-law/title-12/subtitle-1/12-124-1/>

APR  Unteased APR  Other:

First Lien: > 5.5 %

Subordinate Lien: > 7.5 %

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**APR COMPARED AGAINST:** Code of Maryland Regulations - Chapter 9.02 updated 2/2009

- |  |                                     |
|--|-------------------------------------|
| <input checked="" type="checkbox"/> APOR | <input type="checkbox"/> APR Itself |
| <input type="checkbox"/> Treasury Yield  | <input type="checkbox"/> Other:     |

**DATE FOR APR TEST:**

- |  |                                  |
|--|----------------------------------|
| <input type="checkbox"/> Application                                 | <input type="checkbox"/> Closing |
| <input checked="" type="checkbox"/> Other: Date interest rate is set |                                  |

**FEE TEST METHOD:** Maryland Commercial Law Title 12, Section 12-124.1

- |  |
|--|
| <input type="checkbox"/> Use HC Flag                             |
| <input checked="" type="checkbox"/> Use APR & Paid To (§1026.32) |
| <input type="checkbox"/> Use APR & Paid To, except:              |

**FEE TEST THRESHOLDS:** Maryland Commercial Law Title 12, Section 12-124.1

All liens: > or = 4 % of TLA  $\geq$  \$21,032  
Lesser of 7% or \$1,052 for TLA < \$21,032

**ADJUSTMENTS:**

- |                             |   |                                |
|-----------------------------|---|--------------------------------|
| <input type="checkbox"/> No | <input checked="" type="checkbox"/> Yes | How: Adjusted annually per CPI |
|-----------------------------|---|--------------------------------|

**FEES INCLUDED IN TEST:** Maryland Commercial Law Title 12, Section 12-124.1

"Covered loan" means a mortgage loan made under this subtitle that meets the criteria for a loan subject to the federal Home Ownership Equity Protection Act set forth in 15 U.S.C. § 1602(aa), as modified from time to time by Regulation Z, 12 C.F.R. Part 226, except that the comparison percentages for the mortgage loan shall be one percentage point less than those specified in 15 U.S.C. § 1602(aa), as modified from time to time by Regulation Z, 12 C.F.R. Part 226.

**OTHER ITEMS TO BE TESTED/CONSIDERED:** Code of Maryland Regulations - Chapter 9.02.06.21

**Subprime Loans**

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:

(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.

**SPECIAL NOTES:** Code of Maryland Regulations - Chapter 9.02.06.21

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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.

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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).