

STATE OF MARYLAND  
OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION  
DEPARTMENT OF LABOR, LICENSING AND REGULATION  
500 N. CALVERT STREET  
BALTIMORE, MARYLAND 21202

ANNUAL REPORT  
FOR FISCAL YEAR ENDING  
JUNE 30, 2011



Presented to:

MARTIN J. O'MALLEY  
GOVERNOR

ANTHONY G. BROWN  
LIEUTENANT GOVERNOR

MARK A. KAUFMAN  
COMMISSIONER

ANNE BALCER NORTON  
DEPUTY COMMISSIONER

OFFICE OF STATE BANK COMMISSIONER established 1910  
OFFICE OF COMMISSIONER OF CONSUMER CREDIT established 1941  
Reorganized as OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION 1996



## HIGHLIGHTS OF THE AGENCY – FISCAL YEAR 2011

- During fiscal year 2011, DLLR’s Office of the Commissioner of Financial Regulation (“the Commissioner” or “the Office”) played a central role in the ongoing effort to respond to, and recover from, the recent financial and foreclosure crisis. The Office worked aggressively to protect consumers, ensure a safe and sound banking system, oversee other non-bank segments of the financial system efficiently and effectively, and mitigate the damage related to mortgage delinquency and foreclosure.
- From a banking perspective, the Office continues to work with Maryland’s state chartered banks, the FDIC and Federal Reserve to maintain a safe and sound banking system. While the financial and economic turmoil have impacted credit quality, banking conditions have stabilized and begun to improve. Though challenges persist, the state chartered banking system remains profitable on an aggregate basis and plays a vital role in the economy, particularly in lending to small business. The state system remained stable in size with asset growth among state chartered banks offset as the Office oversaw the closure of K Bank in November of 2010. There were no disruptions in services or losses to depositors associated with the closure. At the same time, the Office approved an application by Baltimore County Savings to convert from a federal to state charter. The transaction closed in the fall of 2011, following the end of the fiscal year. The Office has also received additional conversion applications which are in process and will add to the state system.
- Mortgage licensing and supervision were also a major focus. Following passage of the Federal SAFE Mortgage Licensing Act and complimentary state legislation in 2009, the Office completed the transition of over 6500 licensed companies and individuals to the new Nationwide Mortgage Licensing System (“NMLS”). NMLS is a web-based licensing system and database utilized by all 50 states. While licenses are approved at the state level, mortgage originators nationwide are issued single NMLS license numbers and online files which are maintained in the centralized NMLS database. This system improves transparency for consumers and businesses alike who can access the system online. In addition, the system is far more efficient for licensees, particularly in Maryland where 70% of loan originators are licensed in 3 or more states. The transition process was concluded in fiscal 2011, and, in fiscal year 2012, the Office will further enhance efficiency by delivering licenses electronically rather than through the mail.
- The Office played a leadership in Maryland’s effort to combat the foreclosure crisis.
  - From an outreach perspective, the Office continued to capture information received in Notices of Intent to Foreclose that are furnished to delinquent borrowers by law and, simultaneously, to the Commissioner. Based on the information provided, the Office delivered almost 155,000 outreach packages containing foreclosure prevention information and warnings regarding scams during fiscal year 2011. In addition, staff from the Office participated in numerous outreach events across the state, providing assistance to borrowers and warning against potential foreclosure rescue scams.
  - In addition, the Office assisted in drafting legislation passed in the 2011 General Assembly session that provides additional flexibility to borrowers facing foreclosure. Chapter 355 lengthens the time period within which a homeowner may elect to participate in foreclosure mediation. It also allows homeowners to contest a determination that a property is non-owner occupied. The law vests in the Office of Administrative Hearings ("OAH") the power to enforce the rules of procedure that govern a contested case when a party fails to appear for foreclosure mediation. And finally, the law extends the time the OAH may submit a mediation report to Circuit Court from five to seven days and allows the parties to extend the time period within

which the mediation may occur.

- Nationally, the Office has played a leadership role in addressing mortgage servicing issues. In fiscal year 2011, the Commissioner testified before the U.S. House Committee on Government Oversight in a hearing focused on servicing practices. Likewise, the Office has been active in the multi-state investigation of robo-signing abuses. The Office is a leader in the 50 state Attorney General / Bank Regulator robo-signing investigation. Working, closely with the Office of the Maryland Attorney General, the Commissioner serves as one of 16 members of the national Executive Committee directing the effort. Settlement negotiations with the 5 largest servicers in the United States are ongoing.
- The Office continued to aid consumers, responding to approximately 2,300 complaints within the Consumer Services unit this year. This unit works to resolve consumer complaints and, where necessary, refers matters for further investigation and action by the Enforcement Unit. The Enforcement staff completed approximately 300 investigations in the year. These efforts resulted in recoveries of over \$1 million for Marylanders in fiscal 2011. More than \$3 million more adjudicated recoveries have been forwarded to the Maryland Central Collections in an effort to collect for consumers.
- Of particular note, the Office was one of the first in the nation to recognize and move to address the growing foreclosure-related problem of “loan modification consulting” scams. In these cases, consumers are charged illegal up-front fees in exchange for the promise of assistance in obtaining a loan modification. Such scams continued to account for the largest number of enforcement actions. Actions taken based on investigations by the Enforcement Unit yielded 88 cease and desist orders, more than double the prior year, and the vast preponderance related to loan modification scams. The Office also works with law enforcement to combat these abuses. In a case investigated and referred by the Enforcement Unit, the Prince Georges’s County State’s Attorney secured a criminal indictment for theft against a defendant who defrauded hundreds of Maryland residents.
- The Office enhanced its mortgage enforcement effort through a new mortgage fraud initiative launched with the resources of a U.S. Department of Justice Byrne Grant. The initiative includes funding for a dedicated investigator, paralegal and litigation counsel. The initiative is led by a Director, who works with local prosecutors around the state to combat mortgage fraud. The Director may assist local prosecutors handling mortgage fraud investigations, including those referred by the Commissioner, as well as in case preparation and prosecution, if required, as a specially assigned assistant state’s attorney. The remaining positions supported by the grant have significantly bolstered administrative enforcement in the mortgage area.
- The Collection Agency Licensing Board, operating within the Office and chaired by the Commissioner, proceeded in addressing abuses in litigation-related collections, following an initiative that began in 2010. In recent years, tens of thousands of collections actions have been filed in Maryland courts by purchasers of consumer debt seeking judgment by affidavit. The Board’s investigation, along with investigations by the FTC and others, revealed deficiencies in court filings including failure to properly document the debt, inadequate itemization of amounts owed, failure to obtain a license for collections and other such elements. In addition to taking enforcement actions that have resulted in almost \$2 million in fines to date, the Office and the Board assisted the Chief Judge of the Maryland District Court in developing and adopting new court rules to govern future action and address the problems uncovered. The new rules are effective January 1, 2012.

## LEGISLATIVE HIGHLIGHTS SUMMARY

*Teresa B. Carnell, Assistant Attorney General, Counsel to the Commissioner  
Jeanine Magurshak, Assistant Attorney General, Counsel to the Commissioner*

### **Chapter 332 (HB 358): Office of the Commissioner of Financial Regulation – Sunset Extension – and Elimination of the Banking Board**

Chapter 332 extends the sunset date for the Office of the Commissioner of Financial Regulation and the State Collection Agency Licensing Board, as well as all applicable regulations, to July 2022. The legislation eliminates the Banking Board in the Department of Labor, Licensing and Regulation, which had historically advised the Commissioner on matters relating to the Maryland banking industry but over time was found to be ineffective. In addition, Chapter 332 requires the Commissioner's office to implement a risk-based mortgage lender license exam schedule as well as monitor and report on the Maryland Judiciary's review of the Maryland Rules concerning the strength of protections for defendants in consumer debt collection cases. Effective Date - July 1, 2011.

### **Chapter 109 (HB 198): Authority of Commissioner of Financial Regulation – Information Sharing**

The Commissioner currently has the ability to enter into information sharing agreements concerning financial institutions with a number of specified federal regulatory agencies, such as the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve. Chapter 109 expands the Commissioner's ability to enter into an information sharing agreement to the Office of Foreign Assets Control and also permits the Commissioner to share information concerning any financial institution with federal and state law enforcement agencies. Further, information shared with the Commissioner by any other federal or state agency is protected from disclosure under the Maryland Public Information Act. If any such information is requested, the Commissioner is required to forward the request to the relevant agency, which would deal with the request under its laws and regulations concerning disclosure. Effective Date - October 1, 2011.

### **Chapter 127 (HB 509): Real Property – Mortgages – Enforcement**

Chapter 127, an emergency bill, clarifies the Commissioner's power to enforce the Protection of Homeowners in Foreclosure Act and the Maryland Mortgage Fraud Protection Act (each, an "Act") by expressly providing that the Commissioner's general powers of enforcement (such as the issuance of cease and desist orders and the imposition of other administrative remedies) may be exercised with respect to each Act. Chapter 127 also clarifies the circumstances under which a private right of action may be brought against a violator of an Act by allowing a person to bring an action for damages under the applicable Act regardless of whether (1) that person has previously exhausted administrative remedies or (2) criminal or administrative charges are pending on the same matter. Effective Date - April 12, 2011.

### **Foreclosure Process**

### **Chapter 355 (HB 728): Foreclosure – Required Documents – Timing of Mediation**

Chapter 355 continues Maryland's multi-year commitment to aiding homeowners who face foreclosure by enhancing and refining the process by which homeowners may participate in

foreclosure mediation. Most significantly, Chapter 355 reduces notices and related paperwork for non-owner occupied properties and transfers from statute to regulations, adopted by the Commissioner, the form and sequence of notices and related documents delivered to homeowners in the foreclosure process. Chapter 355 also:

- Lengthens the time period within which a homeowner may elect to participate in foreclosure mediation.
- Allows homeowners to contest a determination that a property is non-owner occupied.
- Vests in the Office of Administrative Hearings ("OAH") the power to enforce the rules of procedure that govern a contested case when a party fails to appear for foreclosure mediation.
- Extends the time the OAH may submit a mediation report to the circuit court to seven days and allows the parties to extend the time period within which the mediation may occur.

Effective Date - June 1, 2011.

### **Chapters 36 and 37 (SB205/HB366): Real Property – Residential Property Foreclosure Procedures – Accuracy of Notice of Intent to Foreclose**

To further address the validity and accuracy of documents filed in foreclosure actions in Maryland, Chapters 36 and 37 provide that an affidavit that is filed in a foreclosure proceeding with respect to residential property must state that the contents of the Notice of Intent to Foreclose were accurate at the time the Notice was sent to the borrower. Effective Date - July 1, 2011.

### **Mortgage Lenders and Mortgage Originators**

#### **Chapter 148 (HB 944): Financial Institutions – Mortgage Lenders and Mortgage Loan Originators**

Chapter 148 continues Maryland's response to the enactment of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 and developments in the mortgage lending industry by:

- Requiring a mortgage lender, who employs a Maryland-licensed mortgage loan originator and is otherwise exempt from licensure under Maryland law, to register with Nationwide Mortgage Licensing System ("NMLS").
- Allowing the Commissioner to receive automatic updates from state and federal criminal record databases about any individual who is required to provide finger prints in connection with a mortgage lender or mortgage loan originator license.
- Generally eliminating provisional licensing, but authorizing the Commissioner to issue an "approved-inactive" license to an individual who is otherwise eligible for a mortgage loan originator license and has taken all the steps to obtain or maintain the license but is not currently employed by a mortgage lender.
- Repealing the requirement that a mortgage lender maintain a physical office in Maryland.
- Repealing various provisions enacted simply to facilitate the transition from the State's old licensing process to State licensing under the NMLS.

Effective Date - October 1, 2011.

**Chapter 97 (HB 102): Mortgage Loan Originators – Prohibited Acts**

Chapter 97 establishes protections for real estate appraisers and other individuals from undue influence or coercion in connection with a mortgage loan or loan application, by prohibiting mortgage loan originators from engaging in various actions intended to coerce the appraisal process or otherwise violate applicable law. Effective Date - October 1, 2011.

**Debt Settlement Providers**

**Chapters 280 and 281 (SB 741/HB 1022): Commercial Law – Debt Settlement Services**

In 2010, the Federal Trade Commission (the "FTC") amended its Telemarketing Sales Rule to enhance protections for consumers seeking debt relief services. Among other things, the FTC prohibited debt settlement providers from charging fees before settling or reducing a consumer's debt and mandated various disclosures to consumers and in debt settlement contracts. Chapters 280 and 281 adopt many of the consumer protections in the FTC's Telemarketing Sales Rule and address some of the jurisdictional gaps under federal law. Additionally, the new law requires debt settlement providers to register with, and provide detailed annual reports on their business transactions to, the Commissioner. Chapters 280 and 281 abrogate on June 30, 2015. On December 1, 2014, the Commissioner, in consultation with the Attorney General, is required to report to the General Assembly on whether debt settlement providers should be licensed and whether a cap on fees imposed by providers would be beneficial to the consumers of Maryland and fair to the debt settlement industry. Effective Date - October 1, 2011.

**Automated Teller Machines**

**Chapter 609 (HB 1028): Automated Teller Machines – Video Cameras**

Operators of automated teller machines ("ATMs") must provide appropriate outdoor lighting and notify customers of safety procedures for certain ATM locations (*i.e.* outdoor ATMs). For any ATM installed in such a location on or after October 1, 2011, Chapter 609 requires the concurrent installation of a video camera that records an image of any ATM user as they perform their ATM transactions. This footage must be kept for at least 45 calendar days from the date it is generated. Effective Date - October 1, 2011.

**Credit Unions**

**Chapter 311 (SB 980): Credit Unions – Boards of Directors – Electronically Conducted Elections**

Federally-chartered credit unions have the ability to conduct director elections via electronic means. Chapter 311 permits State-chartered credit unions to do the same pursuant to regulations adopted by the Commissioner. The new law also specifies that credit union members be given the ability to opt out of any electronic voting process and, instead, vote for directors by mail. Effective Date- October 1, 2011.

## DEPOSITORY SUPERVISION

### **Banks, Credit Unions and Trust Companies Annual Overview**

***Teresa M. Louro, Assistant Commissioner for Bank Supervision***

The Office supervises sixty-four institutions, including forty-seven Maryland state-chartered banks, nine credit unions, and six non-depository trust companies, as well as Anne Arundel Economic Development Corporation, and American Share Insurance Corporation (“ASI”) of Dublin, Ohio, a private provider of deposit insurance to credit unions.

#### **Banks**

Maryland’s banking industry experienced a challenging year, showing gradual improvement while adapting to an evolving economic, competitive and regulatory climate. After the financial and economic turmoil of the past few years, conditions in the banking industry have stabilized and begun to improve. Though challenges remain, the state chartered banking system continues to be profitable on an aggregate basis and to play a vital role in the economy, particularly in terms of lending to small business. In the coming year, the Office looks to continue the recovery process and to assist our institutions with adapting to regulatory changes, particularly in the wake of the Dodd Frank Act enacted by Congress which became effective July 21, 2011.

The financial crisis and its aftermath impacted banks of all sizes. While Maryland’s state chartered banks were not active players in many areas which led to the crisis (sub-prime lending, structured financial products, etc) no financial institution could avoid the economic slowdown that followed. While the state’s economy has performed better than the national average, a soft real estate market combined with a traditional focus on commercial real estate lending in the community bank segment, has created a challenging credit environment and an elevated level of nonperforming assets and delinquencies.

In response, the state chartered banks have remained conservative and continued to operate profitably. Return on assets improved in fiscal year 2011 to 0.36%, up from 0.19% in fiscal year 2010. This remains below historical norms as institutions devote focus and resources to enhancing risk management practices, increasing loan workout capabilities and bolstering loan loss provisions. Non-current loans as a percentage of total loans fell in fiscal year 2011 to 3.38% from 4.17% in the prior year. The state chartered system has also continued to enhance its capital position, ensuring safety and soundness and positioning the institutions for future growth. The ratio of capital to assets for the state chartered banks improved throughout fiscal year 2011 by all measures.

State chartered banks have also continued to grow, albeit at a low rate. During fiscal year 2011, total assets of all state chartered banks remained essentially flat at approximately \$23 billion. Growth was depressed by a small subset of troubled institutions which shrunk during the year and, most notably, the failure of K Bank, an approximately \$600 million institution based in Baltimore County, in November 2010. The institution was resolved by the Federal Deposit Insurance Corporation with no loss to depositors, and the assets and liabilities were purchased by M&T Bank. As such, the loans remained outstanding, but were removed from the state chartered system. The median state chartered institution grew modestly in fiscal year 2011.

At the same time, the Office approved an application by Baltimore County Savings for a state charter in a conversion which closed in the fall of 2011, following the end of the fiscal year. The Office has also received additional conversion applications which are in process and will add to the state system. These conversions reflect, at least in part, recognition of the Office’s commitment to maintaining a vibrant and healthy state chartered banking system.



Within the Office, safety and soundness examinations continue to be full scope, focusing heavily on asset quality, including investment portfolios, capital, earnings, liquidity and risk management practices. Given the economic environment, more institutions are under enforcement actions to address weaknesses and regulatory concerns. Enhanced supervision and oversight include: weekly teleconference calls held with institutions; visitations and targeted examinations conducted between scheduled examinations to evaluate and assess compliance with enforcement actions and/or concerns detected during off-site monitoring practices. Examination cycles have been reduced to 12 months versus 18 months when warranted or more frequent if deemed necessary.

Looking ahead, the state chartered banks continue to face a challenging environment. Compliance requirements are changing and increasing as the Dodd Frank Act is implemented. Monitoring and adapting to new requirements are increasing cost and demanding significant management attention. The Office is committed to assisting banks in this transition. The Commissioner and Assistant Commissioner for Bank Supervision maintain an active dialogue with bank management teams throughout the state and seek outreach opportunities to facilitate communication. The Office held a series of regional lunches throughout the state during fiscal year 2011 in an attempt to identify and remedy excessive regulatory burdens. The Commissioner maintains a policy voice at the federal level, in part, by serving as Chairman of the Regulatory Committee for the Conference of State Bank Supervisors, a national organization representing all state bank commissioners.

### **Credit Unions**

The Office regulates and supervises nine Maryland state-chartered credit unions, as well as American Share Insurance, a private provider of deposit insurance. Of the nine credit unions, six are federally insured through the National Credit Union Share Insurance Fund, and the remaining three are insured by ASI. Each credit union receives an annual on-site examination, supplemented by a quarterly monitoring program. Targeted visitations are also performed, as deemed necessary.

The credit union industry remains sound. As in the case of state chartered banks, the current economic environment continues to have an impact on credit union trends. Delinquency increased slightly, especially in the real estate sector, from 1.45% as of June 30, 2010 to a weighted average ratio of 1.58% as of June 30, 2011. During the same period, average charge-offs decreased from 1.15% to a weighted average ratio of 0.78% as the credit unions worked with delinquent borrowers. The credit quality of loans will continue to be closely monitored during the current soft real estate market and on-going economic recession.

Overall, loan growth increased 2.9%, while assets under supervision grew approximately \$153 million to \$4.3 billion. Net worth represents 10.3% of total assets. While the net interest margins remain low, credit unions, as a group, continue to operate profitably, as reflected in an annualized ROA of 0.59%.

### **Non-Depository Trust Companies**

Maryland state-chartered non-depository trust companies also felt the impact of the financial crisis, particularly, the initial downturn in the equities and real estate markets. The rapid recovery in the public stock, bond and real estate markets, combined with additional asset gathering resulted in a significant rebound in performance in fiscal year 2011. Assets under management grew from \$165 billion in 2009 to \$225 billion in fiscal year 2011. The state's trust companies continue to monitor volatility and economic conditions in the United States and global stock markets.

**Consolidated Statement of Financial Condition**  
**State Chartered Banks**  
**As of June 30, 2011**  
*(in thousands)*

**ASSETS**

Cash & Balances Due From Depository Institutions:	
Non-Interest Bearing & Currency and Coin	\$437,949
Interest Bearing Balances	\$1,034,067
Securities	\$3,662,011
Federal Funds Sold and Securities Purchased Under Agreements to Sell	\$425,061
Loans and Leases, Net of Unearned Income	\$15,962,889
(Allowance for Loan and Lease Losses)	(\$307,183)
Trading Assets	\$0
Premises and Fixed Assets (including capitalized leases)	\$351,193
Other Real Estate Owned	\$182,556
Intangible Assets	\$272,067
Other Assets	\$1,171,761
<b><i>Total Assets</i></b>	<b>\$23,192,371</b>

**LIABILITIES**

Deposits:	
In Domestic Offices	\$18,840,036
In Foreign Offices	\$0
Federal Funds Purchased & Securities Sold Under Repurchase Agreements	\$469,290
Subordinated Debt	\$47,600
Other Borrowed Money	\$1,370,977
Other Liabilities	\$152,769
<b><i>Total Liabilities</i></b>	<b>\$20,880,672</b>

**EQUITY CAPITAL**

Perpetual Preferred Stock	\$6,581
Common Stock	\$221,212
Surplus	\$1,370,543
Undivided Profits and Capital Reserves	\$713,363
<b><i>Total Equity Capital</i></b>	<b>\$2,311,699</b>
<b><i>Total Liabilities and Equity</i></b>	<b>\$23,192,371</b>

**Ratios from Consolidated Statement of Financial Condition  
All State-Chartered Banks  
For Fiscal Years 2009 — 2011**

<b>Period Ending June 30:</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Return on Assets	0.36%	0.19%	(0.09%)
Net Interest Margin	3.74%	3.64%	3.43%
Total Loans to Total Deposits	84.73%	86.42%	92.15%
Total Loans to Core Deposits	95.13%	112.97%	116.95%
Total Loans to Total Assets	68.83%	69.62%	72.46%
ALLL to Total Loans	1.89%	2.03%	1.68%
Noncurrent Loans to Total Loans	3.38%	4.17%	3.61%
Tier 1 Leverage Capital	9.00%	8.72%	9.01%
Tier 1 Risk-Based Capital	11.83%	11.31%	11.01%
Total Risk-Based Capital	13.31%	12.79%	12.43%

**Prior Period End Totals  
For Fiscal Years Ended June 30  
(in thousands)**

<b>Year</b>	<b>Total Assets</b>	<b>Total Loans</b>	<b>Securities</b>	<b>Total Deposits</b>	<b>Total Capital</b>
2011	\$23,192,370	\$15,962,889	\$3,662,011	\$18,840,036	\$2,311,699
2010	\$23,223,680	\$16,168,963	\$3,372,087	\$18,710,253	\$2,257,096
2009	\$21,792,246	\$16,059,416	\$3,200,633	\$17,135,262	\$2,113,330
2008	\$29,381,521	\$21,881,597	\$4,415,664	\$21,813,397	\$2,728,926
2007	\$42,139,079	\$29,403,517	\$7,216,069	\$30,421,947	\$4,469,387
2006	\$39,619,518	\$27,115,636	\$7,627,391	\$29,262,128	\$4,147,295
2005	\$37,159,487	\$25,497,448	\$7,660,557	\$27,542,622	\$3,711,691

**Trust Assets Reported by State-Chartered Trust Companies**  
**Fiscal Year Ended June 30, 2011**  
*(in thousands)*

<b>Full Service Trust Companies</b>	<b>Managed</b>	<b>Non-Managed</b>	<b>Custodial</b>	<b>Total</b>
First United Bank & Trust	\$514,106	\$67,697	\$2,676	\$584,479
Sandy Spring Bank	\$696,887	\$63,211	\$73,771	\$833,869
<b>Total Assets – Full Service</b>	<b>\$1,210,993</b>	<b>\$130,908</b>	<b>\$76,908</b>	<b>\$1,418,348</b>

<b>Non-Depository Trust Companies</b>	<b>Managed</b>	<b>Non-Managed</b>	<b>Custodial</b>	<b>Total</b>
Brown Investment Advisory and Trust Co.	\$5,141,465	\$305,878	\$0	\$5,447,343.
Chevy Chase Trust Company	\$2,955,083	\$7,914,205	\$2,693,008	\$13,562,296
NewTower Trust Company	\$6,528,100	\$0	\$0	\$6,528,100
Old Mutual Asset Management Trust Co.	\$13,569,165	\$802,715	\$0	\$14,371,880
Securities Finance Trust Company	\$20,635,569	\$22,756	\$0	\$20,658,325
T. Rowe Price Trust Company	\$27,252,327	\$137,752,105	\$0	\$165,004,432
<b>Total Assets – Non-Depository</b>	<b>\$76,081,709</b>	<b>\$146,797,659</b>	<b>\$2,693,008</b>	<b>\$225,572,376</b>

<b>Grand Total – Assets Full Service and Non-Depository</b>	<b>\$77,292,702</b>	<b>\$146,928,567</b>	<b>\$2,769,455</b>	<b>\$226,990,724</b>
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**State Chartered Credit Unions**  
**Consolidated Statement of Financial Condition**  
*(in thousands)*

**Comparative Figures for Fiscal Year Ended:    June 30, 2011    June 30, 2010    % Change**

**ASSETS**

Cash	\$177,218	\$167,603	5.7%
Investments	\$1,425,309	\$1,349,717	5.6%
Loans & Leases	\$2,522,571	\$2,452,504	2.9%
Allowance for Loans & Leases (ALLL)	(\$38,970)	(\$34,703)	12.3%
Premises and Fixed Assets	\$61,151	\$61,053	0.2%
Other Assets	\$113,751	\$111,712	1.8%
<b><i>Total Assets</i></b>	<b>\$4,261,030</b>	<b>\$4,107,886</b>	<b>3.7%</b>

**LIABILITIES**

Members' Shares & Deposits	\$3,655,934	\$3,551,370	2.9%
Borrowings	\$101,933	\$85,170	19.7%
Other Liabilities	\$64,363	\$46,852	37.4%
<b><i>Total Liabilities</i></b>	<b>\$3,822,230</b>	<b>\$3,683,392</b>	<b>3.8%</b>

**EQUITY / NET WORTH**

<b><i>Total Liabilities and Equity</i></b>	<b>\$4,261,030</b>	<b>\$4,107,886</b>	<b>6.2%</b>
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**Additional Information – As of June 30**

	<b>2011</b>	<b>2010</b>
Net Worth to Total Assets	10.30%	10.33%
Net Worth to Members' Shares & Deposits	12.00%	11.95%
Total Loans to Total Assets	59.20%	59.70%
Total Loans to Members' Shares & Deposits	69.00%	69.06%
ALLL to Total Loans	1.54%	1.42%
Return on Assets (annualized)	0.59%	0.51%

## Consolidated Statement of Condition of State-Chartered Credit Unions

As of June 30, 2011  
(in thousands)

	Total Assets	Total Loans	Shares & Deposits	Total Capital
<b>ASI Private Share Insurance</b>				
Fort Meade Community Credit Union	\$33,709	\$10,947	\$30,312	\$2,644
Post Office Credit Union of Maryland, Inc.	\$33,558	\$2,760	\$24,805	\$8,736
U.S. Coast Guard Community Credit Union	\$34,035	\$16,107	\$31,696	\$2,317
<b>Federal Share Insurance</b>				
Central Credit Union of Maryland, Inc.	\$20,804	\$11,929	\$17,858	\$2,903
Destinations Credit Union	\$48,137	\$27,706	\$40,026	\$7,700
Members First Credit Union	\$34,203	\$8,540	\$30,049	\$4,074
Municipal Employees Credit Union	\$1,123,136	\$635,453	\$903,690	\$119,924
Point Breeze Credit Union	\$702,186	\$275,603	\$614,600	\$79,316
State Employees Credit Union of MD	\$2,231,262	\$1,533,526	\$1,962,898	\$211,186
<b>TOTAL FOR ALL STATE CHARTERED CREDIT UNIONS</b>	<b>\$4,261,030</b>	<b>\$2,522,571</b>	<b>\$3,655,934</b>	<b>\$438,800</b>

### Prior Period End Totals As of June 30 (in thousands)

Fiscal Year	Total Assets	Total Loans	Shares & Deposits	Total Capital
<b>2010</b>	\$4,107,886	\$2,452,504	\$3,551,370	\$424,494
<b>2009</b>	\$3,867,974	\$2,420,744	\$3,356,352	\$415,266
<b>2008</b>	\$3,512,890	\$2,362,006	\$3,043,152	\$419,221
<b>2007</b>	\$3,302,841	\$2,245,600	\$2,837,274	\$403,824
<b>2006</b>	\$3,112,221	\$2,063,541	\$2,659,307	\$371,057
<b>2005</b>	\$2,996,701	\$1,813,530	\$2,639,925	\$338,253
<b>2004</b>	\$2,964,498	\$1,640,845	\$2,648,385	\$299,229
<b>2003</b>	\$2,860,709	\$1,510,146	\$2,566,593	\$275,840

## DEPOSITORY CORPORATE ACTIVITIES

### Corporate Applications Annual Overview

*Marcia A. Ryan, Assistant Commissioner*

The Commissioner's Office began the fiscal year with regulatory responsibility for forty-eight banks, with combined assets of \$23.2 billion. By the end of the fiscal year, the number of Maryland-chartered banks had decreased to forty-seven, while total assets remained essentially unchanged from the prior fiscal year. As of June 30, 2011, Maryland banks had combined assets of \$23.19 billion, were operating a total of 409 branches, and employed 5,233 individuals. The Office also has regulatory responsibility for six Maryland-chartered non-depository trust companies, with more than \$225 billion in trust assets; nine State-chartered credit unions, with combined assets of more than \$4.3 billion; and one not-for-profit SBA guaranteed lending corporation.

Applications were received throughout the year from banks, trust companies, and credit unions seeking approval to implement various corporate changes to their organizations or to expand their business activities. The number of corporate applications increased during fiscal year 2011, in comparison to the prior three years, and increased activity is expected to continue into 2012. Applications handled by the Corporate Activities group included: four bank charter conversions; one credit union charter conversion; two bank mergers/acquisitions; eight affiliates; and thirteen new branches. The Office also approved 38 representative office permits to out-of-state banking corporations, and acted on a wide range of other corporate applications.

In particular, the Office continues to see significant interest in the Maryland banking charter.

- Baltimore County Savings Bank - The Office is pleased to welcome Baltimore County Savings Bank into the State banking system. The Bank has assets of almost \$625 million and operates throughout central and northeastern Maryland. Baltimore County Savings applied for a state charter in fiscal year 2011 and the application was approved in June. Following the receipt of additional federal approvals, Baltimore County Savings Bank officially converted from a federally-chartered stock savings bank to a Maryland-chartered commercial bank in September 2011.
- Midstate Federal Savings and Loan - In fiscal year 2011, Midstate Federal Savings and Loan also applied to convert from a federal S&L charter to a Maryland mutual savings bank charter. Midstate has assets of \$176 million and has been located in Baltimore since 1884. The conversion process is expected to be completed by the end of calendar year 2011.

Looking ahead to fiscal year 2012, we will continue to work with a number of other national and federal banks that have begun the process of exploring conversions to Maryland charters. These conversions reflect, at least in part, recognition of the Office's commitment to maintaining a vibrant and healthy state chartered banking system.

In fiscal year 2011, the Office dedicated significant efforts to overseeing a proposed mutual-to-stock charter conversion by Carroll Community Bank. It is the first mutual to stock conversion by a state chartered entity in well over a decade. This change to the Bank's ownership structure was approved by the Commissioner in August, thereby allowing the institution to successfully convert from a State-chartered mutual savings bank to a State-chartered commercial bank in September 2011. This transaction raised approximately \$3.6 million in capital for Carroll Community Bank.

**BANKS, CREDIT UNIONS and TRUST COMPANIES**  
**Activity on Selected Applications**  
**Fiscal Year Ended June 30, 2011**

**CONVERSION to STATE CHARTER**

<b>Institution Name</b>	<b>Main Office</b>	<b>Former Name</b>	<b>Approval Date</b>
<i>MADISON BANK of MARYLAND</i> To convert from a federal mutual savings bank to a state-chartered mutual savings bank	Forest Hills, MD	Madison Bank of Md	Withdrawn
<i>BALTIMORE COUNTY SAVINGS BANK</i> To convert from a federal stock savings bank to a state-chartered commercial bank	Baltimore, MD	Baltimore County Savings Bank, F.S.B.	06/27/11
<i>MIDSTATE SAVINGS BANK</i> To convert from a federal mutual savings bank to a state-chartered mutual savings bank	Baltimore, MD	Midstate Federal Savings and Loan Association	Pending

**MUTUAL to STOCK CHARTER CONVERSIONS**

<b>Institution Name</b>	<b>Main Office</b>	<b>Approval Date</b>
<i>CARROLL COMMUNITY BANK</i> To convert from a state-chartered mutual savings bank to a state-chartered commercial bank authorized to issue stock	Sykesville, MD	Pending

**CREDIT UNION FIELD of MEMBERSHIP CHARTER CONVERSION**

<b>Institution Name</b>	<b>Main Office</b>	<b>Approval Date</b>
<i>MUNICIPAL EMPLOYEES CREDIT UNION (MECU)</i> To convert from a multiple common bond field of membership to a community field of membership	Baltimore, MD	Denied

**MERGERS and ACQUISITIONS**

<b>Surviving Institution Main Location</b>	<b>Merged/Acquired Institution Main Location</b>	<b>Approval Date</b>
<i>CNB</i> Centreville, MD	Felton Bank Felton, DE	11/15/10
<i>OLD LINE BANK</i> Bowie, MD	Maryland Bank & Trust Company, N.A. Lexington Park, MD	03/23/11



## AFFILIATES

<b>Institution Name Main Location</b>	<b>Affiliate</b>	<b>Approval Date</b>
<i>PATAPSCO BANK.</i> Baltimore, MD	PFSL Holding, LLC	06/13/11
<i>PATAPSCO BANK</i> Baltimore, MD	PFSL Holding II, LLC	06/20/11
<i>BROWN INVESTMENT ADVISORY &amp; TRUST CO.</i> Baltimore, MD	Brown Advisory Trust Company Delaware LLC	06/23/11
<i>BALTIMORE COUNTY SAVINGS BANK</i> Baltimore, MD	BCSB Insurance Services	06/27/11
<i>BALTIMORE COUNTY SAVINGS BANK</i> Baltimore, MD	Lyons Properties, LLC	06/27/11
<i>BALTIMORE COUNTY SAVINGS BANK</i> Baltimore, MD	BCSB Bankcorp Capital Trust I	06/27/11
<i>BALTIMORE COUNTY SAVINGS BANK</i> Baltimore, MD	BCSB Capital Trust II	06/27/11
<i>EAGLEBANK</i> Bethesda, MD	Bethesda Leasing, LLC	06/28/11

## MISCELLANEOUS

<b>Institution Name</b>	<b>Application Filed</b>	<b>Approval Date</b>
<i>FARMERS and MERCHANTS BANK</i> Upperco, MD	To repurchase capital stock	07/26/10
<i>BANK of THE EASTERN SHORE</i> Cambridge, MD	To issue common stock below par value	08/17/10
<i>BANK of THE EASTERN SHORE</i> Cambridge, MD	To reduce par value	11/01/10
<i>FULTON BANK</i> Lancaster, PA	To act as escrow depository for certain real estate transactions for the benefit of the Maryland Affordable Housing Trust	11/05/10
<i>WOODSBORO BANK</i> Woodsboro, MD	Articles of Share Exchange to dissolve Woodsboro Bancshares, Inc.	12/01/10
<i>BANK of THE EASTERN SHORE</i> Cambridge, MD	Articles of Amendment to increase total shares of authorized common stock	12/21/10
<i>VIRGINIA HERITAGE BANK</i>	To act as escrow depository for certain	01/26/11

Fairfax, VA	real estate transactions for the benefit of the Maryland Affordable Housing Trust	
<i>CARROLL COMMUNITY BANK</i> Sykesville, MD	For authority to amend Articles of Incorporation by a majority of eligible voting shares	03/04/11
<i>MONARCH BANK</i> Chesapeake, VA	To act as escrow depository for certain real estate transactions for the benefit of the Maryland Affordable Housing Trust	03/24/11
<i>NEWTOWER TRUST COMPANY</i> Bethesda, MD	Change in Control	06/28/11
<i>BANK of OCEAN CITY</i> Ocean City, MD	To reduce par value	06/28/11

### BRANCH OPENINGS & CLOSINGS -- STATE BANKS

<b>Institution Name</b>	<b>Main Office</b>	<b>Opened</b>	<b>Closed</b>
<i>BLUE RIDGE BANK</i>	Frederick, MD	1	0
<i>CNB</i>	Centreville, MD	1	0
<i>COLUMBIA BANK, THE</i>	Columbia, MD	1	0
<i>COMMUNITY BANK OF TRI-COUNTY</i>	Waldorf, MD	1	0
<i>CONGRESSIONAL BANK</i>	Bethesda, MD	1	1
<i>EAGLEBANK</i>	Bethesda, MD	4	1
<i>EASTON BANK &amp; TRUST</i>	Easton, MD	0	1
<i>FARMERS AND MERCHANTS BANK</i>	Upperco, MD	1	0
<i>REGAL BANK AND TRUST</i>	Owings Mills, MD	1	1
<i>REVERE BANK</i>	Laurel, MD	1	0
<i>SANDY SPRING BANK</i>	Olney, MD	1	0

**TOTAL BRANCHES APPROVED = 13**  
**TOTAL BRANCHES CLOSED = 4**

## STATE-CHARTERED COMMERCIAL BANKS and SAVINGS BANKS

As of June 30, 2011

Bank Name	Principal Location	Total Assets (in thousands)	No. of Branches	CRA Rating
Bank of Glen Burnie, The	Glen Burnie	\$358,106	8	Satisfactory
Bank of Ocean City	Ocean City	\$174,192	6	Satisfactory
Bank of the Eastern Shore	Cambridge	\$181,218	2	Satisfactory
BankAnnapolis	Annapolis	\$433,912	7	Satisfactory
Blue Ridge Bank	Frederick	\$133,241	1	Satisfactory
Calvin B. Taylor Banking Company	Berlin	\$410,696	10	Satisfactory
Carroll Community Bank	Sykesville	\$95,106	2	Outstanding
Carrollton Bank	Baltimore	\$376,701	10	Satisfactory
Cecil Bank	Elkton	\$470,905	11	Satisfactory
CFG Community Bank	Baltimore	\$517,249	3	Satisfactory
Chesapeake Bank and Trust Company	Chestertown	\$90,641	2	Satisfactory
CNB	Centreville	\$429,832	12	Satisfactory
Columbia Bank, The	Columbia	\$2,051,414	41	Satisfactory
CommerceFirst Bank	Annapolis	\$210,583	5	Satisfactory
Community Bank of Tri-County	Waldorf	\$902,500	10	Satisfactory
Congressional Bank	Bethesda	\$241,092	4	Satisfactory
County First Bank	LaPlata	\$194,346	6	Satisfactory
Damascus Community Bank	Damascus	\$247,993	6	Satisfactory
EagleBank	Bethesda	\$2,340,244	13	Satisfactory
Easton Bank & Trust Company	Easton	\$159,409	5	Satisfactory
Farmers and Merchants Bank	Upperco	\$247,853	6	Satisfactory
Farmers Bank of Willards, The	Willards	\$337,880	8	Satisfactory
First Mariner Bank	Baltimore	\$1,165,032	23	Satisfactory
First United Bank and Trust	Oakland	\$1,455,465	28	Satisfactory
Frederick County Bank	Frederick	\$304,360	4	Satisfactory
Glen Burnie Mutual Savings Bank, The	Glen Burnie	\$73,137	1	Satisfactory
Harbor Bank of Maryland, The	Baltimore	\$244,524	7	Outstanding
Harford Bank	Aberdeen	\$281,979	8	Satisfactory
HarVest Bank of Maryland	Rockville	\$153,785	4	Satisfactory
Hebron Savings Bank	Hebron	\$476,144	11	Satisfactory
Howard Bank	Ellicott City	\$310,642	5	Satisfactory
Maryland Financial Bank	Towson	\$85,227	1	N/A
Middletown Valley Bank	Middletown	\$144,044	5	Satisfactory
Monument Bank	Bethesda	\$361,366	2	Satisfactory
NBRS Financial	Rising Sun	\$260,201	8	Satisfactory

New Windsor State Bank	Taneytown	\$265,771	6	Satisfactory
Old Line Bank	Bowie	\$752,931	19	Satisfactory
Patapsco Bank, The	Baltimore	\$266,683	5	Satisfactory
Peoples Bank, The	Chestertown	\$248,012	7	Outstanding
Provident State Bank, Inc.	Preston	\$258,898	9	Satisfactory
Queenstown Bank of Maryland, The	Queenstown	\$457,367	8	Satisfactory
Regal Bank and Trust	Owings Mills	\$185,189	4	Satisfactory
Revere Bank	Laurel	\$216,766	2	Satisfactory
Saint Casimirs Savings Bank	Baltimore	\$104,969	4	Needs to improve
Sandy Spring Bank	Olney	\$3,624,181	42	Satisfactory
Talbot Bank, The	Easton	\$677,798	7	Satisfactory
Woodsboro Bank	Woodsboro	\$218,087	7	Satisfactory

**Total Number of State Banks: 47**

**Total Branches: 409**

**Total Employees: 5,233**

**Total Assets: \$23,197,671**

## STATE-CHARTERED CREDIT UNIONS

As of June 30, 2011

Credit Union Name	Principal Location	Total Assets (in thousands)	Field of Membership Type
Central Credit Union of Maryland	Baltimore	\$20,804	Multiple Common Bond
Destinations Credit Union	Parkville	\$48,137	Multiple Common Bond
Fort Meade Community Credit Union	Fort Meade	\$33,709	Community Common Bond
Members First Credit Union	Baltimore	\$34,203	Multiple Common Bond
Municipal Employees Credit Union	Baltimore	\$1,123,136	Multiple Common Bond
Point Breeze Credit Union	Hunt Valley	\$702,186	Multiple Common Bond
Post Office Credit Union of MD	Baltimore	\$33,558	Single Common Bond
State Employees Credit Union of MD	Linthicum	\$2,231,262	Multiple Common Bond
U.S. Coast Guard Community Credit Union	Baltimore	\$34,035	Community Common Bond

**Total Branches: 35**

**Total Employees: 990**

**Total Assets: \$4,261,030**

**STATE-CHARTERED  
NON-DEPOSITORY TRUST COMPANIES**

**As of June 30, 2011**

<b>Trust Company Name</b>	<b>Principal Location</b>	<b>Trust/Fiduciary Business Purpose</b>
Brown Investment Advisory and Trust Co.	Baltimore	Investment Advisory Services
Chevy Chase Trust	Bethesda	Investment Management & Financial Planning
NewTower Trust Company	Bethesda	Trustee for Multi-Employer Property Trust
Old Mutual Asset Management Trust Company	Baltimore	Trust Administrative Services
Securities Finance Trust Company	Boston	Securities Lending
T. Rowe Price Trust Company	Baltimore	Investment Management

**National Banks  
Operating Branches in Maryland**

**As of June 30, 2011**

<b>National Banks</b>	<b>Principal Location</b>	<b>Branches in Maryland</b>	<b>Total Assets (in thousands)</b>
Asia Bank, N.A.	Flushing, NY	1	\$423,446
Bank of America, N.A.	Charlotte, NC	192	\$1,454,050,584
BNY Mellon, N.A.	Pittsburgh, PA	1	\$11,459,900
Capital Bank, N.A.	Rockville, MD	2	\$264,429
Capital One Bank, N.A.	McLean, VA	128	\$127,630,886
Citibank, N.A.	Las Vegas, NV	16	\$1,216,291,000
HSBC Bank USA, N.A.	McLean, VA	3	\$195,101,367
Legg Mason Investment Counsel & Trust, NA	Baltimore, MD	1	\$67,728
National Penn Bank	Boyertown, PA	1	\$8,598,552
PNC Bank, N.A.	Pittsburgh, PA	230	\$254,825,730
TD Bank, N.A.	Wilmington, DE	13	\$179,970,802
The National Bank of Cambridge	Cambridge, MD	3	\$210,948
Wells Fargo, N.A.	Sioux Falls, SD	82	\$1,104,833,000
Woodforest National Bank	Houston, TX	11	\$3,431,480

## Federal Savings Banks Operating Branches in Maryland

As of June 30, 2011

Federal Savings Banks / Thrifts	Principal Location	Branches in Maryland	Total Assets (in thousands)
Advance Bank	Baltimore, MD	3	\$73,828
American Bank	Rockville, MD	3	\$506,330
Arundel Federal Savings Bank, FSB	Glen Burnie, MD	7	\$493,244
Baltimore County Savings Bank, FSB	Nottingham, MD	17	\$625,257
Bay Bank, FSB	Lutherville, MD	2	\$130,236
Bay-Vanguard Federal Savings Bank	Baltimore, MD	5	\$146,305
Chesapeake Bank of Maryland	Parkville, MD	5	\$200,810
Colombo Bank	Rockville, MD	3	\$156,138
Community First Bank	Pikesville, MD	1	\$48,670
Eastern Savings Bank, FSB	Hunt Valley, MD	5	\$680,963
Fairmount Bank	Baltimore, MD	2	\$72,609
First Shore Federal Savings & Loan Assoc.	Salisbury, MD	7	\$333,474
Fraternity Federal Savings & Loan Assoc.	Baltimore, MD	4	\$179,623
Fullerton Federal Savings Association	Baltimore, MD	1	\$8,932
Hamilton Federal Bank	Baltimore, MD	5	\$330,215
Homewood Federal Savings Bank	Baltimore, MD	1	\$75,163
Hopkins Federal Savings Bank	Baltimore, MD	2	\$360,501
Hull Federal Savings Bank	Baltimore, MD	1	\$27,058
Jarrettsville Federal Savings & Loan Assoc.	Jarrettsville, MD	1	\$99,431
Kopernik Federal Bank	Baltimore, MD	1	\$38,843
Kosciuzsko Federal Savings Bank	Baltimore, MD	1	\$13,378
Liberty Federal Savings & Loan Association	Baltimore, MD	3	\$45,245
Madison Bank of Maryland	Forest Hill, MD	5	\$155,430
Madison Square Federal Savings Bank	Baltimore, MD	4	\$154,041
Midstate Federal Savings & Loan Assoc.	Baltimore, MD	1	\$174,305
North Arundel Savings Bank, FSB	Pasadena, MD	1	\$36,261
OBA Bank	Germantown, MD	6	\$386,417
Presidential Bank, FSB	Bethesda, MD	2	\$564,506
Prince George's Federal Savings Bank	Upper Marlboro, MD	3	\$100,834
Rosedale Federal Savings & Loan Association	Baltimore, MD	9	\$763,858
Severn Savings Bank, FSB	Annapolis, MD	4	\$933,039
Slavie Federal Savings Bank	Bel Air, MD	2	\$198,077
T. Rowe Price Savings Bank	Baltimore, MD	1	\$193,841
Vigilant Federal Savings Bank	Baltimore, MD	1	\$56,316
Washington Savings Bank, FSB	Bowie, MD	5	\$388,948

## Other State Chartered Banks Operating Branches in Maryland

As of June 30, 2011

Banks Chartered by Other States	Principal Location	Branches in Maryland	Total Assets (in thousands)
Bank of Georgetown	Washington, DC	1	\$542,987
BB&T	Winston-Salem, NC	129	\$153,341,765
BealBank, SSB	Plano, TX	1	\$3,568,540
Cardinal Bank	McLean, VA	1	\$2,154,395
Centra Bank, Inc.	Morgantown, WV	2	\$1,296,282
Clear Mountain Bank	Bruceton Mills, WV	1	\$409,445
CNB Bank, Inc.	Berkeley Springs, WV	1	\$275,423
Essex Bank	Tappahannock, VA	7	\$1,064,196
First-Citizens Bank & Trust Company	Raleigh, NC	1	\$20,797,006
Graystone Tower Bank	Lancaster, PA	3	\$2,524,064
Industrial Bank	Washington, DC	2	\$390,132
Jefferson Security Bank	Shepherdstown, WV	1	\$265,745
John Marshall Bank	Falls Church, VA	1	\$368,618
M&T Bank	Buffalo, NY	209	\$76,465,208
Miners & Merchants Bank	Thomas, WV	1	\$51,505
Northwest Savings Bank	Warren, PA	5	\$8,113,950
Orrstown Bank	Shippensburg, PA	1	\$1,518,935
PeoplesBank	Glen Rock, PA	2	\$974,639
Premier Bank, Inc.	Huntington, WV	1	\$767,654
Shore Bank	Onley, VA	3	\$298,039
SonaBank	McLean, VA	1	\$601,177
Standard Bank, PaSB	Murrysville, PA	2	\$436,579
SunTrust Bank	Atlanta, GA	134	\$165,800,581
Susquehanna Bank	Lititz, PA	41	\$14,042,078
The Bank of Delmarva	Seaford, DE	5	\$542,987
United Bank	Fairfax, VA	8	\$3,741,978
United Central Bank	Garland, TX	1	\$2,569,614
WashingtonFirst Bank	Reston, VA	3	\$538,268
Woori America Bank	New York, NY	1	\$1,010,248

# FORECLOSURE MEDIATION AND OUTREACH

## Annual Overview

### *Cara Stretch, Director of Foreclosure Outreach*

Pursuant to legislation passed in 2010, the Office added a Director of Foreclosure Outreach to coordinate efforts that increased substantially in response to the foreclosure crisis. With the inception of the position in 2011, the Director represents the Office at federal, state, local and other foreclosure events, serves on interagency teams on topics related to foreclosure, including loss mitigation and mediation. The Director works particularly closely with foreclosure prevention housing counselors across the State and with the Department of Housing and Community Development (“DHCD”).

The Director oversees the Office’s Notice of Intent to Foreclose (“NOI”) Project. Pursuant to changes in Maryland’s foreclosure laws passed in April 2008, secured parties pursuing foreclosure must send a NOI to the borrower 45 days prior to docketing a foreclosure. The secured party must also furnish a copy of the document to the Commissioner. The Office processes the NOI data and responds with targeted outreach to borrowers, including information about obtaining free assistance and avoiding scams. Initially, the NOIs were received largely in paper form – by the thousands – and through an inefficient and crude electronic process accessible by only the largest servicers. In fiscal year 2011, the Office implemented an electronic portal which is accessible by all entities to process NOI submissions electronically and eliminated all paper. The new system is more efficient for all parties, captures significantly more data and allows for faster dissemination of outreach materials. During fiscal year 2011, the Office received approximately 150,000 NOIs and responded with an outreach packet for each homeowner.

Going forward, partnerships have been established between the Office and government agencies in Montgomery County, Prince George’s County, Baltimore County, Cecil County and the Baltimore Homeownership Preservation Coalition to utilize the NOI data to enhance local outreach efforts. The Commissioner also established a relationship with the Urban Institute, a non-profit organization which evaluates data in an effort to support social policy efforts. The Urban Institute works closely with counseling agencies in the District of Columbia’s suburbs and hopes to increase public knowledge about the resources available in Maryland to support homeowners facing foreclosure.

The Director is also working to enhance the effectiveness of Maryland’s foreclosure mediation program. The Office’s outreach materials have been updated to incorporate mediation information. The Director works cooperatively with a network of housing counselors and other parties in this effort including DHCD, Maryland Housing Counselors Network, the Coalition for Homeownership Preservation in Prince George’s County, the Baltimore Homeownership Preservation Coalition, and the Capital Area Foreclosure Network. The Commissioner has partnered with all of these agencies in supporting counseling by participating in training events and providing materials. The Commissioner partnered with DHCD to host a mediation focus group which brought counselors together to discuss the mediation program. DHCD and the office have also partnered to establish goals for improving the mediation program for fiscal year 2012. These goals include, increasing opt-in rates, promoting homeowner preparedness for their mediation session and reducing contingent resolutions.

In an effort to assist consumer inquiries related to foreclosure, the Office partnered with Bank of America, Wells Fargo, JP Morgan Chase and national banks otherwise outside the Commissioner’s jurisdiction to establish an escalation process for consumers seeking assistance. In partnership with the Consumer Services Unit, the Director established a process to escalate cases to the appropriate servicer when necessary. The



Director has worked with more than 50 homeowners seeking assistance or guidance because they were at risk of or facing foreclosure and provided those homeowners with assistance ranging from brief advice to loan modification.

The Director created a page within the DLLR website dedicated to foreclosure prevention. This page is updated regularly as new legislation and resources become available to Maryland consumers. A brochure titled, “Your Rights and Protections under Maryland’s New Foreclosure Laws” was updated and distributed to the Department of Housing and Community Development (“DHCD”), counseling agencies, legislators and directly to consumers at outreach events. The brochure is included in the NOI outreach letter as well. Since November of 2010, the Director has attended more than 100 outreach events hosted by elected officials, servicers, local governments and non-profits. At the events, consumers can obtain information about foreclosure prevention, unemployment, workforce development and scam prevention.

Likewise, following up on recommendations of Maryland’s Task Force on Financial Literacy, the Office has partnered with the Enoch Pratt Library to create a financial literacy clearinghouse. The clearinghouse will provide consumers with resources available nationally and statewide which increase financial literacy. The clearinghouse will be launched in January 2012 with a launch event at the downtown Federal Reserve. The Director is overseeing this new initiative.

<i>Fiscal Year</i>	<i>Notices of Intent to Foreclose Received by the Agency</i>
<b>2008*</b>	<b>10,987</b>
<b>2009</b>	<b>140,531</b>
<b>2010</b>	<b>161,632</b>
<b>2011</b>	<b>154,867</b>

\* Data collected in the last quarter of fiscal year 2008, May 2008 through June, 2008

# ENFORCEMENT & CONSUMER SERVICES

## Annual Overview

*Cynthia H. Jones, Assistant Commissioner*

The Office regulates and supervises the activities of the financial services industry operating in Maryland with the goal of ensuring that Maryland consumers are able to conduct secure financial transactions with businesses operating within the parameters of the law, while creating a regulatory environment that is not unduly burdensome on those operating within the state. Investigations of consumer complaints and alleged violations of Maryland law are conducted by the Consumer Services Unit and the Enforcement Unit. Resolutions of these cases may include restitution ordered for aggrieved consumers to revocation of licensing or, in extreme cases, referral for criminal prosecution.

### Consumer Services Unit

The Consumer Services Unit is responsible for investigating consumer inquiries and complaints filed against licensed and unlicensed financial services institutions conducting business in Maryland. Complaints typically involve the mortgage industry, collection agencies, credit bureaus as well as a multitude of other financial services businesses. The Unit provides one-to-one customer services to the consumers filing complaints. In total, the Unit investigated 2,271 complaints in fiscal year 2011.

The following is a representation of the work of the Consumer Services Unit:

- A licensee repossessed a consumer's car for the nonpayment of monthly loan installments. The licensee repossessed the vehicle without sending proper notice in accordance with Maryland law. Prior to the investigation, the car had been sold at auction. When the Unit was contacted by the consumer regarding her rights, a thorough investigation was conducted and as a result of the investigation, it was uncovered that the consumer was not obligated to pay the deficiency balance of \$12,587.37. The deficiency balance was deleted from the consumer's credit report
- A licensee pursued a consumer for the deficiency balance after the consumer accepted the terms and conditions of a short sale. After a thorough investigation, the licensee agreed to waive the deficiency balance of \$190,000 and updated the consumer's credit report to reflect that the status of the account was paid as agreed

Finally, the Consumer Services Unit works tirelessly with other state agencies to address issues that affect Maryland consumers, and in many cases, leverages the resources of other agencies for resolving complex consumer complaints that may exceed the authority of the Office. For example, the Unit partners with the Motor Vehicle Administration ("MVA") and the Consumer Protection Division of the Maryland Attorney Generals Office to address the increase in repossession complaints received involving small automobile dealerships, when these cases fall outside of the jurisdiction of the Office.

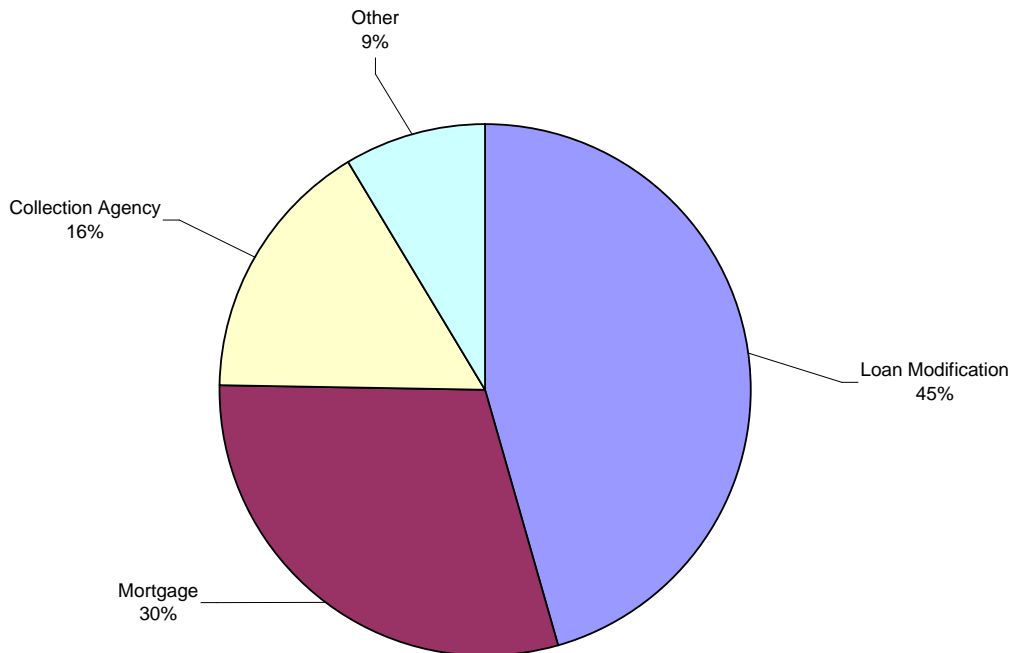
The Office remains proactive in participating in mortgage and consumer protection outreach seminars to stay abreast of current changes in the law and has been instrumental in obtaining significant monetary/non-monetary recoveries for consumers. The Consumer Services Unit will continue to identify trends and work within and outside of the Office to close gaps in the law in the industries that are adversely impacting Maryland consumers.

## Enforcement Unit

The Enforcement Unit provides investigative support to the Office through independent investigations of potential or alleged regulatory and/or criminal violations of the statutes that govern businesses subject to the jurisdiction of the Office. In addition to conducting investigations, members of the Enforcement Unit remain proactive in fighting mortgage fraud, by participating in foreclosure prevention seminars sponsored by non profits and elected officials. Two bi-lingual investigators further the reach of the Office in assisting aggrieved Maryland consumers across the State.

In fiscal year 2011 the Unit initiated 264 investigations. Of the total number of investigations, 200 were mortgage related.

Case Load Fiscal 2011



Note: Other includes; debt settlement, installment loan, credit repair, sales finance, payday loan, money transmission, and miscellaneous cases.

The largest single area of investigation remains mortgage and the majority of the mortgage investigations continue to be related to loan modification scams. Individuals and businesses capitalize on vulnerable consumers facing foreclosure by charging upfront fees in exchange for the promise of assisting them with obtaining loan modifications. Unfortunately, in an overwhelming majority of the cases, consumers discover that the business they engaged neither obtained the promised loan modification nor refunded the upfront fees paid in exchange for such promise.

The Office continues to mount an aggressive response to mortgage fraud and loan modification scams. In

fiscal year 2011, actions taken based on investigations by the Enforcement Unit yielded 88 cease and desist orders more than doubling of the enforcement actions in fiscal year 2010. This effort resulted in more than \$220,000 refunds to consumers. The Office continues to have more than 120 loan modification complaints under investigation. In an effort to combat the persistence of mortgage fraud and loan modification scams the Commissioner continues to be innovative in seeking resources and received a federal grant as detailed below.

### **Maryland Mortgage Fraud Initiative**

In fiscal year 2011, the Office was awarded an Edward J. Byrne Memorial Grant by the United States Department of Justice to fund a project entitled the Maryland Mortgage Fraud Initiative. The goal of the project is to reduce mortgage fraud and mortgage foreclosure scams in Maryland. Under the grant, the Office was able to fill the following positions: a paralegal, an investigator who is bilingual, a Mortgage Fraud Litigation Counsel (“Litigation Counsel”), and a Director of the Maryland Mortgage Fraud Initiative (“the Director”).

The litigation counsel position allows the Office to have a dedicated attorney for all cases involving mortgage fraud and mortgage loan modification scams. Cases are litigated through the administrative process which includes hearings at the Office of the Commissioner, the Office of Administrative Hearings and in Circuit Court, when appropriate. At the same time, certain cases may rise above administrative actions. While the Office has worked cooperatively with criminal enforcement authorities at the state and federal level for years, the Director has provided the Office with the unique opportunity to initiate much stronger relationships with local prosecutors’ offices, to consult on legal matters and to provide significant assistance in bringing associated cases. The Mortgage Fraud Director is available to assist in the investigation, preparation and prosecution of mortgage fraud cases as a specially assigned assistant state’s attorney.

Additionally, in fiscal year 2011, the Office partnered with the *Lawyer’s Committee for Civil Rights under the Law*, a nonprofit nonpartisan organization formed in 1963. Through the partnership, volunteer lawyers from Troutman Sanders assist Maryland consumers with filing loan modification scam complaints with our Office which significantly expedites the initiation and processing of investigations, again leveraging the available resources for combating this type of abuse.

Highlights of the Enforcement Unit’s work in the Maryland Mortgage Fraud Initiative include the following:

- The Enforcement Unit investigated a Respondent, his company and an employee for unlicensed mortgaging activities and making deliberate misstatements, misrepresentations, and omissions during the mortgage lending process with the intent to defraud borrowers. Under conditions of the settlement, the Respondent agreed to: 1) Pay a civil penalty of \$75,000 to the state; 2) Return to borrowers any interest and costs that were collected in violation of Maryland’s laws, and 3) Convert all existing mortgages (approximately 50) to principal only loans. The agreement also included a seven year ban from participating in any mortgage activity. The Office estimated that the settlement would have saved defrauded homeowners more than \$4 million, inclusive of interest payments that would have been eliminated in coming years. The Respondent did not comply with the settlement agreement; therefore the matter was delegated to the Office of Administrative Hearings to be adjudicated
- The Enforcement Unit investigated a law office where the Respondents’ print and radio advertising campaign included littering Maryland counties with over 650 street signs advertising low interest rates for loan modification services. The street signs failed to include a license number which also violated law. The Respondents’ aggressive advertising tactics led the Office to take a proactive approach in its investigation and to issue a Summary Cease and Desist Order. In response, the Respondents filed a restraining order against the State of Maryland and Office of the Commissioner

of Financial Regulation in Baltimore County Circuit Court claiming an exemption from compliance with the protections afforded Maryland consumers under the Maryland Credit Service Business Act and other provisions of State law. Ultimately, an Administrative Law Judge found as a matter of law that the parties did not have a license, were not exempt from obtaining a license, and collected upfront fees while engaging in credit services business activities with 82 Maryland consumers prior to completely performing all the credit services contemplated by an attorney retainer agreement. A civil penalty of \$489,000 has been imposed and restitution ordered for Maryland consumers.

### **Consumer Debt Purchasers**

The Enforcement Unit also continued the efforts of the Collection Agency Licensing Board, chaired by the Commissioner, to address problems associated with litigation related collections. Based on complaints filed with the Office, prior enforcement actions, and cases forwarded from Judges serving on the bench in the District Courts of Maryland, the Unit Identified a series of problems related to purchasers of consumer debt seeking judgments based on affidavits in District Court under circumstances that called into question certain facets of State and federal law. Violations investigated included but were not limited to: 1) Filing affidavits that failed to comply with the Maryland Rules of Civil Procedure; 2) Claiming and receiving prejudgment interest amounts that included compound interest, and misrepresenting the correct amount of principal and interest in the documents filed with their complaints; 3) Filing complaints alleging ownership of particular consumer claims but where complaints contained invalid or deficient assignment documents indicating that the Respondents did not actually own the consumer claims at issue; and finally 4) Filing complaints beyond the 3 year statute of limitations applicable to such claims in Maryland.

The unit's investigative work led to a series of orders and settlements. Collectively, the Settlement Agreements resulted in approximately \$700,000 in restitution, which is inclusive of judgments waived, as well as more than \$40,000 in refunds and \$86,000 in fines. Additionally, the District Courts of Maryland stayed thousands of actions. In light of the problems identified, the Office, including the Maryland Collection Agency Licensing Board, worked closely with the Maryland Rules Committee and members of the Judiciary to draft new rules governing these actions. Effective January 1, 2012, the new rules will require consumer debt purchasers to submit to the district court documentation detailing that they are the true owners of the debt and that the debt, which will have to be itemized, is in fact owed the company prior to being allowed to obtain affidavit judgments against consumers to recover alleged debts.

## NON-DEPOSITORY INSTITUTIONS

### Mortgage Compliance Examinations Annual Overview

*Richard G. Younger, Examiner Supervisor*

The Mortgage Compliance Unit monitors the business activities of licensed mortgage lenders and mortgage loan originators that they employ. Maryland Mortgage Lenders are licensed to conduct mortgage lending, mortgage brokering, and mortgage servicing of loans. Mortgage Originators are licensed employees of the mortgage lender licensee, who have direct contact and interaction with consumers throughout the process. The Mortgage Compliance Unit is responsible for conducting compliance examinations of licensed mortgage lenders, whose range of services, coupled with the multitude of laws and regulations governing the extension of credit, provide for complex analysis and review. In addition to Maryland law, examiners evaluate compliance with federal laws, including the Real Estate Settlement Procedures Act, the Truth in Lending Act, and recent extensive revisions to both.

The Mortgage Compliance Unit has emerged as a leader in the area of servicer-examinations and has taken a key role in the multi-state efforts to examine foreclosure practices, including document preparation and oversight thereof following public concerns relating to defective affidavits filed in foreclosure proceedings. This is the second year that the Compliance Unit has undertaken extensive examination procedures and guidelines for the examination of mortgage servicers, which are more specialized, far-reaching and time-consuming for the Examiners than the standard examinations of lenders and brokers. These examinations continue to identify shortcomings and have resulted in substantial refunds to date.

The Mortgage Compliance Unit has also taken a key roll in multi-state examinations of mortgage lenders and mortgage brokers. In fiscal year 2012, the Mortgage Compliance Unit will participate in the implementation of a Limited Scope Examination (also know as “e-exams”) under the auspices of the Conference of State Bank Supervisors and the Multi-State Mortgage Committee. These exams utilize electronic tools for aggregating transaction data reviewing transactions. It is anticipated that these exams will enable examiners to gain a more comprehensive insight into loan origination activities and highlight areas of potential non-compliance through a coordinated and efficient undertaking.

During fiscal year 2011, through the efforts of the examination staff, Maryland’s Mortgage Compliance Unit, has completed more than 460 examinations of mortgage lender licensees, resulting in refunds to Maryland consumers of over \$208,536 and the collection of fines and civil penalties in the amount of \$101,510.

The Office is required to examine new licensees within 18 month of licensure and at least once during any 36-month period thereafter. In fiscal year 2012, the Mortgage Compliance Unit will implement a risk based examinations schedule to enhance the mandatory statutory requirement. The risk based examination will enable the Compliance Unit to place greater emphasis on those licensees who have demonstrated a lack of compliance during prior examinations, licensees that are the subject

of consumer or industry complaints, or licensees that have been subject to administrative or legal action by other regulatory bodies, along with other issues brought to the attention of the office.

The members of the Mortgage Compliance Unit continue to maintain their professional competence through training and awareness of legislative updates. In June 2011 all of the Non-Depository Examiners in the unit, were re-certified by the Conference of State Bank Supervisors (CSBS) as Certified Mortgage Examiners.

## **Non-Mortgage Compliance Unit Annual Overview**

***Sabrina Brown, Unit Supervisor***

The Non-Mortgage Compliance Unit oversees non-depository institutions that provide many credit and related services to Maryland consumers including Money Transmitters, Debt Management Services, Debt Settlement Services, Check Cashers, Sales Finance Companies, Credit Service Businesses and Installment Loan Companies. Many of the non-depository institutions regulated by the Office offer diverse products to consumers through a number of products and services that are constantly evolving to keep pace with consumer needs.

The Money Transmitter industry transmits funds electronically, provides money orders, travelers' checks, bill payer services, bi-weekly mortgage payment services and prepaid stored value cards. As technology improves, money transmitters continue to find new and innovative ways to participate in the marketplace. As the prepaid card industry explodes and evolves beyond gift cards, the emergence of products such as mobile payments continues to grow. In an effort to stay up to date with the changing industry the Office leverages resources through individual and joint examinations with other states. Examiners also participate in the Money Transmitter Regulators Association joint examination committee where national licensees are strategically examined by a team of examiners from two to eight states. Money Transmitters are Money Service Business required to adhere to the Federal Bank Secrecy Act ("BSA") and Anti-Money Laundering regulations. As a result, Examiners participate in a pilot program with the Internal Revenue Service aimed at consistency with the BSA in order to deter money laundering.

Debt Management Companies are licensed in Maryland and provide consumers access to payment plans that permit repaying debts over time with some accommodation from creditors through a debt management plan. With the assistance of a trained credit counselor or certified credit counselor, an agreement is entered into that provides full repayment of debts over a thirty-six to sixty month time frame in exchange for concessions by the creditor. The increased number of consumers with unsecured debt that they cannot repay has created elevated demand for debt relief services. The Maryland General Assembly passed and Governor O'Malley signed into law Chapters 280 and 281, the Maryland Debt Settlement Services Act which became effective October 1, 2011. The Maryland Debt Settlement Services Act was the product of recommendations that were put forth by an industry study that was mandated by legislation adopted last year and jointly issued by the Office and the Consumer Protection Division of the Attorney Generals Office. It requires all providers of debt settlement service to register with the Commissioner. The recommendations were designed to complement the Federal Trade Commission's amendment to their Telemarketing Sales Rule.

As the economy continues to tighten, consumers turn to alternative financial services organizations for bank-like products offered through Check Cashers. Check Casher licensees provide check cashing services as well as Money Transmitter services when operating as agents of licensed Money Transmitters. Services include, but are not limited to, prepaid debit cards, money orders, wire transfer services, and bill payment services. Check Cashers are also considered Money Service Businesses and are required to adhere to the BSA and Anti-Money Laundering regulations. As a result, Examiners continue to participate in a pilot program with the Internal Revenue Service aimed at consistency with the BSA in order to deter money laundering.

The Non-Mortgage Compliance Unit consistently works with other state regulators through the National Association of Consumer Credit Administrators, Money Transmitters Regulators Association and the Conference of State Bank Supervisors, credit counseling industry associations as well as state and federal law enforcement and the Internal Revenue Service.



## NON-DEPOSITORY INSTITUTIONS

### Licensing Annual Overview

*Keisha Whitehall Wolfe, Director*

The Office licenses close to 10,000 non-depository institutions and individuals engaging in financial services. The large majority of these licensees provide consumer credit such as mortgage loans, consumer loans, and retail sales financing in addition to check cashers, collection agencies, debt management companies, mortgage loan originators and money transmitters.

The steep decline in licensee volumes, as experienced in past years, especially in the mortgage industry slowed in fiscal year 2011. The downturn in the housing market and tightening credit markets has resulted in a downward pressure on the industry and consequently, of the number of mortgage lender licenses outstanding. At the same time, the Office witnessed a very modest increase in the total number of active mortgage loan originator licenses. In addition, the Office saw a significant increase in Collection Agency licenses. This trend is attributable not only to a weak economic climate, but also to a clarification by the Collection Agency Licensing Board regarding the need for licensure in the context of litigation related collections activity.

Fiscal year 2011 saw the completion of the lengthy process of transitioning mortgage lenders and originators to the Nationwide Mortgage Licensing System (“NMLS”). The NMLS provides a common platform for all state regulators and mortgage market participants nationwide and will significantly improve efficiency and effectiveness of the licensing process for consumers and licensees alike. Mandated to ensure compliance with new federal law, the transition began on May 11, 2009 and ended on December 31, 2010 and necessitated re-underwriting every licensee. The Office transitioned approximately 1,500 Mortgage Lender licensees and 3,700 Mortgage Loan Originator licensees. By January 1, 2011, all approved Mortgage Loan Originators were SAFE compliant and had satisfied the SAFE requirements. Additionally, during the Office’s first NMLS renewal period, 1,313 Mortgage Lenders and 3,759 Mortgage Loan Originators were approved for licensure.

Additionally, the Office was able to utilize the functionality of the NMLS for the establishment of a relationship and sponsorship between Mortgage Lender and Mortgage Loan Originator licensees electronically. Establishing a relationship with an individual indicates to the regulator/consumer that the individual is employed by that company, whereas sponsorship indicates that the company will be supervising the individual licensees. Consumers can use the NMLS Consumer Access website to research and confirm whether the mortgage company or mortgage professional with whom they wish to conduct business is authorized to conduct mortgage business in the State of Maryland. From a licensee perspective, enhancements to the NMLS have greatly decreased the processing time by automating numerous elements including testing and education tracking, national fingerprint submissions and reporting and credit review. The NMLS is particularly efficient for Maryland licensees as many operate in multiple states. Roughly 70% of mortgage lender licensees operating in Maryland are licensed in 3 or more states. NMLS allows such companies to manage their multiple state licenses in one place.

In November 2011, the renewal window for mortgage licensees will be available through the close of the reinstatement period on January 30, 2012.

**New Business Licensees and  
Total Current Business Licensees by Category  
Fiscal Years 2011 & 2010**

<i>License Category</i>	<i>New Licensees Fiscal Yr 2011</i>	<i>New Licensees Fiscal Yr 2010</i>	<i>Total Licensees Fiscal Yr 2011</i>	<i>Total Licensees Fiscal Yr 2010</i>
<i>Check Casher</i>	43	57	492	517
<i>Collection Agency</i>	303	216	1,515	1,442
<i>Consumer Loan</i>	37	14	147	129
<i>Credit Service Business</i>	7	5	11	5
<i>Debt Management</i>	3	5	35	33
<i>Installment Loan</i>	36	12	120	112
<i>Money Transmitter</i>	9	10	79	70
<i>Mortgage Insurance Producer</i>	14	9	38	35
<i>Mortgage Lender</i>	329	406	1,353	1,478
<i>Mortgage Originator</i>	2,124	2,570	5,078	5,007
<i>Sales Finance</i>	137	79	515	545
<b>TOTAL</b>	<b>3,042</b>	<b>3,381</b>	<b>9,383</b>	<b>9,373</b>

**Consolidated Written Consumer Complaint Analysis  
Fiscal Years Ended June 30**

<i>Complaint Category</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>
<i>Non-Maryland Banks *</i>	582	748	636	538	649
<i>Mortgage</i>	598	563	654	601	419
<i>Collection Agency</i>	530	563	590	589	596
<i>Credit Reporting Company</i>	277	321	407	483	632
<i>General Consumer</i>	233	302	238	236	188
<i>Maryland Bank &amp; Credit Union</i>	39	47	88	76	66
<i>Miscellaneous</i>	13	29	37	34	47
<b>TOTAL ANNUAL COMPLAINTS</b>	<b>2,272</b>	<b>2,603</b>	<b>2,650</b>	<b>2,597</b>	<b>2,682</b>

(\*) Complaints received against institutions not regulated by the office, including national banks, federal savings banks, savings and loan associations, federal credit unions and out-of-state banks.

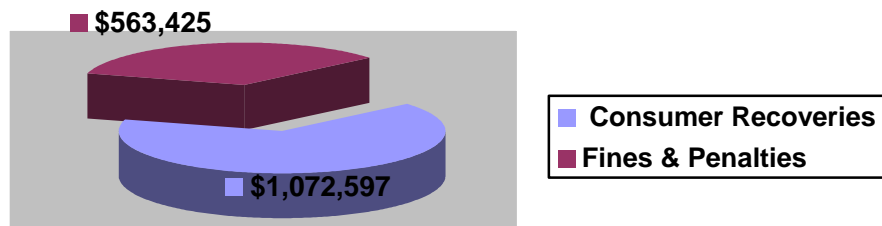
## Monetary Recoveries for Consumers and Fines and Penalties Fiscal years 2011 and 2010

Monetary recoveries for consumers derive from the Commissioner’s commitment to protect the public from economic harm caused by problems in the financial services market. During fiscal year 2011, the Commissioner ordered recoveries to consumers of almost \$5.3 million. Of this amount, the Office recovered almost \$1.1 million for consumers. The remaining balance of \$4.2 million was determined to be uncollectible due to the condition of the counterparty and sent to the Central Collection Unit of the Department of Budget and Management for collection efforts. These recoveries included refunds for consumers who were charged amounts not permissible under state or federal law, elimination of charges or fees that were not properly imposed, and other forms of relief. The large volume of uncollected recoveries highlights the importance of the Office’s efforts to prevent problems before they arise as restitution is often difficult to obtain in practice.

Additionally, as a result of our investigations, the Office imposed fines and penalties on consumer lender licensees and other individuals and companies that we determined had violated various State laws and/or regulations. The fines and penalties that were ordered by the Commissioner were almost \$1.7 million in fiscal year 2011. The Office collected \$563,000. The remaining balance of \$1.1 million was determined to be uncollectible and sent to the Central Collection Unit of the Department of Budget and Management for collection efforts. These fines were paid to the state’s General Fund, and were primarily related to the activities of unlicensed mortgage companies and mortgage originators and those companies that committed mortgage loan modification scams.

	<i>Total Ordered by the Commissioner FY 2011</i>	<i>Total Collected FY 2011</i>	<i>Total Ordered by the Commissioner FY 2010</i>	<i>Total Collected FY 2010</i>
<i>Consumer Recoveries</i>	\$5,262,587	\$1,072,597	\$2,902,900	\$2,463,899
<i>Fines and Penalties</i>	\$1,678,925	\$563,425	\$2,129,895	\$1,622,895
<b>TOTAL</b>	<b>\$6,941,512</b>	<b>\$1,636,022</b>	<b>\$5,032,795</b>	<b>\$4,086,794</b>

**Consumer Recoveries & Fines Collected**



## **OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION**

### **MISSION**

The Office of the Commissioner of Financial Regulation supervises the activities of the financial services industry under its regulatory authority through periodic on-site examinations and off-site monitoring programs. The mission of the Office is to ensure that the citizens of Maryland are able to conduct their financial transactions in safe, sound, and well-managed institutions, while providing a flexible, yet sound regulatory environment that promotes fair competition, encourages innovative business development, and supports the economy of Maryland.

### **ACCREDITATION**

Since July 13, 1992, the Office has been accredited by the Conference of State Bank Supervisors (CSBS). The Office is proud of this accreditation, and was granted recertification in December 2007 after demonstrating compliance with the approval standards established by CSBS. Once again in 2012, the Office will undergo extensive review by CSBS to obtain recertification. CSBS is a national organization that represents the interests of state banking departments. State banking departments must undergo a re-accreditation examination and audit every five years and submit annual assessment updates in order to retain certification. The CSBS Accreditation Program is designed to encourage the standardization of supervision and regulation of state chartered banks, identify weaknesses, and capitalize on the strengths of state banking departments. The process assists the Office to effectively carry out its responsibilities of chartering and supervising State chartered financial institutions, of ensuring industry safety and soundness, legal and regulatory compliance, and providing responsive service.

### **OFFICE REVENUE and EXPENDITURES**

The Office of the Commissioner of Financial Regulation is a partially self-supporting unit of the State Government. Operating expenditures are largely funded from dedicated fees, with the remainder funded from tax revenues. The Office's funding is obtained mostly from the supervision and licensing fees assessed upon those financial institutions regulated by the Commissioner. During fiscal year 2011, funds collected by the Office were remitted to the State's General Fund, with the exception of four Special Funds, which are directly funded by Maryland-licensed mortgage lenders, money transmitters, debt management companies and Maryland state chartered banks, credit unions and non-depository trust companies to cover the costs of supervising those industries. The following charts compare the Office's revenue and expenditures for fiscal years 2010 and 2011.

**REVENUE and EXPENDITURES**  
**General Fund**  
**Fiscal Years Ended June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2011</b>
Non Depository Investigation & License Fees	\$834,905	\$1,281,314
Fines & Penalties *	\$1,622,895	\$563,425
Miscellaneous Income/Other	\$115	\$0
<b>TOTAL REVENUE</b>	<b>\$2,457,915</b>	<b>\$1,844,739</b>

\*All fines and penalties from all Programs are deposited into the General Fund.

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2011</b>
Salaries and Benefits	\$860,727	\$1,968,645
Technical and Special Fees		\$0
Communication		\$263
Travel/Training		\$0
Lease Expense, Parking Facilities		\$0
Contractual Services	\$11,113	\$0
Supplies and Materials		\$0
Equipment		\$1,390
Fixed Charges, Rent		\$0
<b>TOTAL EXPENDITURES</b>	<b>\$871,840</b>	<b>\$1,970,298</b>
<b>Net Revenue</b>	<b>\$1,586,075</b>	<b>(\$125,559)</b>

**REVENUE and EXPENDITURES**  
**Bank & Credit Union Special Fund**  
**Fiscal Years Ended June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2011</b>
Bank & Credit Union Annual Assessments	\$2,911,382	\$2,921,467
Non-Depository Trust Comp. Annual Assessments	\$244,104	\$233,526
Depository Amendment and Filing Fees	\$59,300	\$50,747
Miscellaneous Income/Other	(\$500)	\$0
<b>TOTAL REVENUE</b>	<b>\$3,214,286</b>	<b>\$3,205,740</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2011</b>
Salaries and Benefits	\$1,818,504	\$1,688,912
Technical and Special Fees	\$188,431	\$183,352
Communication	\$56,991	\$60,167
Travel/Training	\$224,347	\$235,112
Lease Expense, Parking Facilities	\$5,352	\$6,423
Contractual Services	\$179,225	\$176,831
Supplies and Materials	\$5,861	\$6,403
Equipment	\$19,757	\$4,216
Fixed Charges, Rent	\$181,638	\$132,419
Administrative Expenses	\$348,582	\$328,885
<b>TOTAL EXPENDITURES</b>	<b>\$3,028,688</b>	<b>\$2,822,720</b>

<b>Net Revenue</b>	<b>\$185,598</b>	<b>\$383,020</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$852,575</b>	<b>\$1,235,596</b>

**REVENUE and EXPENDITURES**  
**Special Fund – Debt Management**  
**Fiscal Years Ended June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2011</b>
Non Depository Examinations	\$19,788	\$10,984
Non Depository Investigation & Licensing Fees	\$106,000	\$5,355
Miscellaneous Income/Other	\$8,291	\$5,561
<b>Total Revenue</b>	<b>\$134,079</b>	<b>\$21,900</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2011</b>
Salaries and Benefits	\$57,504	\$0
Technical and Special Fees		\$0
Communication		\$0
Travel/Training	\$16,366	\$4,372
Lease Expense, Parking Facilities	\$869	\$953
Contractual Services	\$22	\$0
Supplies and Materials	\$25	\$0
Equipment		\$0
Fixed Charges, Rent	\$537	\$30
Administrative Expenses	\$14,894	\$5,561
<b>Total Expenditures</b>	<b>\$90,216</b>	<b>\$10,916</b>

<b>Net Revenue</b>	<b>\$43,863</b>	<b>\$10,984</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$67,089</b>	<b>\$78,073</b>

**REVENUE and EXPENDITURES**  
**Special Fund – Money Transmitters**  
**Fiscal Years Ended June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2011</b>
Non Depository Examinations	\$11,695	\$22,682
Non Depository Investigation & Licensing Fees	\$341,000	\$24,000
Miscellaneous Income/Other	\$73,848	\$0
<b>Total Revenue</b>	<b>\$426,543</b>	<b>\$46,682</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2011</b>
Salaries and Benefits	\$246,878	\$254,656
Technical and Special Fees	\$0	\$0
Communication	\$324	\$395
Travel/Training	\$17,306	\$22,945
Lease Expense, Parking Facilities	\$1,618	\$1,850
Contractual Services	\$1,811	\$0
Supplies and Materials	\$0	\$0
Equipment	\$0	\$0
Fixed Charges, Rent	\$823	\$1,235
Administrative Expenses	\$36,320	\$41,822
<b>Total Expenditures</b>	<b>\$305,081</b>	<b>\$322,902</b>

<b>Net Revenue</b>	<b>\$121,462</b>	<b>(\$276,220)</b>
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<b>Balance Carried Forward (End of FY)</b>	<b>\$348,467</b>	<b>\$72,247</b>
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**REVENUE and EXPENDITURES**  
**Special Fund – Mortgage Originators**  
**Fiscal Years Ended June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2011</b>
Non Depository Examinations	\$383,821	\$266,167
Non Depository Investigation & Licensing Fees	\$3,674,056	\$3,148,318
Interest on Fund Balance	(\$143,066)	\$2,694
Miscellaneous Income/Other	\$4,535	\$16,282
<b>Total Revenue</b>	<b>\$3,919,346</b>	<b>\$3,433,461</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2011</b>
Salaries and Benefits	\$3,492,853	\$2,013,874
Technical and Special Fees	\$213,109	\$161,061
Communication	\$59,138	\$32,008
Travel/Training	\$40,815	\$21,810
Lease Expense, Parking Facilities	\$28,604	\$34,997
Contractual Services	\$272,942	\$223,568
Supplies and Materials	\$24,499	\$30,721
Equipment	\$22,793	\$0
Fixed Charges, Rent	\$166,786	\$173,338
Administrative Expenses	\$608,595	\$429,857
<b>Total Expenditures</b>	<b>\$4,930,134</b>	<b>\$3,121,234</b>

<b>Net Revenue</b>	<b>(\$1,010,789)</b>	<b>\$312,227</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$622,398</b>	<b>\$934,625</b>

**OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION  
MANAGEMENT ORGANIZATION CHART  
As of December 31, 2011**

**Mark A. Kaufman**  
Commissioner

**Anne Balcer Norton**  
Deputy Commissioner

**Cynthia Jones**  
Assistant Commissioner  
Enforcement and Complaints

**Teresa M. Louro**  
Assistant Commissioner  
Bank Supervision

**Joseph E. Rooney**  
Assistant Commissioner  
Administration and Credit Union Supervision

**Marcia A. Ryan**  
Assistant Commissioner  
Depository Corporate Activities

**Michael J. Jackson**  
Director  
Regulatory Policy

**Keisha Whitehall Wolfe**  
Director  
Non-Depository Licensing

**Sabrina Brown**  
Supervisor  
Non-Mortgage Compliance Unit

**Richard G. Younger**  
Supervisor  
Mortgage Compliance Unit

**BOARDS**  
**As of July 1, 2011**

**Maryland Banking Board**

The Maryland General Assembly passed House Bill 358 and Senate Bill 103 which repealed the Banking Board effective July 1, 2011.

**Maryland Collection Agency Licensing Board**

The Maryland Collection Agency Licensing Board has statutory responsibility for the licensing of collection agencies operating in Maryland. The Governor, with the consent of the Senate, appoints the four-member board, consisting of two consumer representatives and two industry representatives. The Commissioner serves as Chairman. The Board addresses written complaints, conducts hearings on alleged violations, mediates disputes, and issues orders requiring licensees to correct violations. The Board informs both licensees and the public about abusive debt collection practices.

**Board Members**

**Mark A. Kaufman**  
Chairman

**Stephen Hannan**  
Consumer Member

**Susan Hayes**  
Industry Member

**Eric Friedman**  
Consumer Member

**Joanne Young**  
Industry Member

**Office of the Commissioner of Financial Regulation**  
**Commissioners**  
**As of December 31, 2011**

NAME	From	To
Mark A. Kaufman	2010	Present
Sarah Bloom Raskin	2007	2010
Charles W. Turnbaugh	2003	2007
Mary Louise Preis	1999	2003
H. Robert Hergenroeder <sup>1</sup>	1996	1999
Margie H. Muller	1983	1996
Joseph R. Crouse	1980	1983
W. H. Holden Gibbs	1978	1980
William L. Wilson	1971	1978
William A. Graham	1967	1971
Herbert R. O'Connor, Jr.	1963	1967
W. R. Milford	1960	1963
William F. Hilgenberg	1959	1959
William H. Kirkwood, Jr.	1951	1959
Joseph P. Healy	1950	1951
J. Millard Tawes	1947	1950
John W. Downing	1939	1947
Warren F. Sterling	1935	1939
John J. Ghingher	1933	1935
George W. Page	1919	1933
J. Dukes Downs	1910	1919

<sup>1</sup> In 1996, the Bank Commissioner's Office was merged by statute with the Office of Consumer Credit, resulting in the change of title from Bank Commissioner to Commissioner of Financial Regulation.