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# COMMISSIONER OF FINANCIAL REGULATION

## ADVISORY NOTICE

### REGULATORY ALERT

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July 17, 2019

#### NEW NET WORTH REQUIREMENTS FOR MORTGAGE LENDER LICENSEES

During its 2019 session, Maryland's General Assembly passed, and Governor Hogan subsequently signed, House Bill 61 (92 Md. Laws 2019). Among the changes made by this law, are changes to the net worth requirements for Maryland Mortgage Lender licensees. The effective date of the law is October 1, 2019; current licensees must meet the revised requirements during the 2020 renewal cycle (Nov. 1-Dec.-31, 2019).

The revised law specifies that applicants for licensure and renewal must meet certain specified **tangible** net worth requirements. The calculation of tangible net worth for these purposes excludes intangible assets – e.g., goodwill, trademarks, or copyrights. **Note:** For compliance purposes, mortgage servicing rights may be included in the calculation of tangible net worth under House Bill 61.

The minimum net worth requirements for mortgage brokers and lenders under House Bill 61 are changing only to the extent that the law expressly specifies that they be met with tangible net worth. The revised law establishes new minimum net worth requirements for mortgage servicers. Those who meet the capital requirements of, and are approved by, a government sponsored entity (GSE), satisfy the net worth requirements. Those licensees without GSE approval must meet the following requirements:

<u>Unpaid Principal Balance of Entire Servicing Portfolio</u>	<u>Minimum Tangible Net Worth</u>
<= \$50,000,000	\$100,000
>\$50,000,000 but <= \$100,000,000	\$250,000
>\$100,000,000 but <= \$250,000,000	\$500,000
>\$250,000,000	\$1,000,000

A line of credit **may not** be used to satisfy the net worth requirement for mortgage servicers. As to licensees other than mortgage servicers, the new law states that any line of credit used to satisfy a portion of the net worth requirement must be a **working capital** line of credit – i.e., warehouse lines of credit may not be used to meet net worth requirements under the new law.

This advisory summarizes certain provisions of the revised statute; it is not intended to address each and every provision of House Bill 61 (additional advisories will be issued later this year to address all substantive changes to the law). Licensees must comply with all applicable provisions of Maryland law and the Commissioner strongly encourages licensees to review the changes brought about by House Bill 61 so that they can implement any necessary operational or financial changes in time for the 2020 licensing renewal cycle. The full text of the revised statute may be found [here](#).

Questions may be sent to Clifford Charland, Director of Non-Depository Operations: (410) 230-6167 or email [clifford.charland@maryland.gov](mailto:clifford.charland@maryland.gov).