



# 2023 Regulatory Highlights



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**Annual Updates from the  
Maryland Office of Financial Regulation**



*June 23, 2023*

# Presentation Topics

**Welcome** – Secretary Wu and Commissioner Salazar

**Banking** – Assistant Commissioners Teresa Louro and Stephen Clampett

- Climate Change
- Cannabis-related banking
- Liquidity
- Access to Banking Act

**Financial Services** – Assistant Commissioner Shereefat Balogun and Director Cliff Charland

- New legislation (elimination of branch licensing; regulation of shared appreciation agreements)
- New and pending regulation (money transmission and foreclosure procedures)
- Revised guidance (Maryland Homeowner Assistance Fund)
- Foreclosure data
- Enforcement strategic priorities

**Consumer Complaint Trends** – Assistant Commissioner Sean McEvoy

**Student Loan Ombudsman** – Acting Student Loan Ombudsman Amy Hennen

**Question and Answer**



# Introduction

During today's webinar we will **highlight key updates and activities, provide guidance to industry and consumers, and share information on trends and topics of interest to the Office.**

- Review Office activity over the previous fiscal year (July 2022 – June 2023)
- What to anticipate for coming fiscal year (July 2023 – June 2024)
- Focus on legislation, regulation, guidance, data and “hot topics”



# Goals for Fiscal Year 2024

- 1) **Protect Maryland consumers** from financial harm; provide education and resources so consumers can make informed financial decisions.
- 2) **Modernize Maryland's financial regulatory system** to adapt to rapid change and to be efficient and effective through the use of technology and data.
- 3) **Promote an equitable and inclusive financial system** that leaves no Marylander behind and fosters broader participation by low to moderate income communities and small businesses in the financial system and state economy.
- 4) **Enhance employee engagement** and empower employees to execute with excellence.
- 5) **Strengthen the Office's collaboration** with sister state regulators and other Maryland agencies.



# Climate Change

- **Climate change risk** is a serious issue which, if not addressed, has the potential to create adverse consequences for the State's ecological systems and all Marylanders.
- Governor Moore is leading an entire-government response to climate change.
- OFR publicly addressed this issue from the bank regulatory perspective during a webinar earlier this year.



# Climate Change (cont'd)

## Key takeaways:

- Management and Board of Directors should discuss the effects of climate change and the risks to, and opportunities for, their institution.
- Management and Board of Directors should review and discuss the [“Learning and Discussion Points on the Effects of Climate Change Risk”](#), as well as review and use the self-assessment questions as a tool to guide their work.
  - This document and the webinar slides are available in the Industry Resources section of OFR’s website.



# Cannabis-Related Banking

## Institutions should:

- Define Cannabis-Related Businesses in their policies
- Enhance BSA/AML/CFT policies to include the definition of cannabis-related businesses
- Be aware that adult use marijuana will be legal in Maryland effective July 1, 2023



# Liquidity

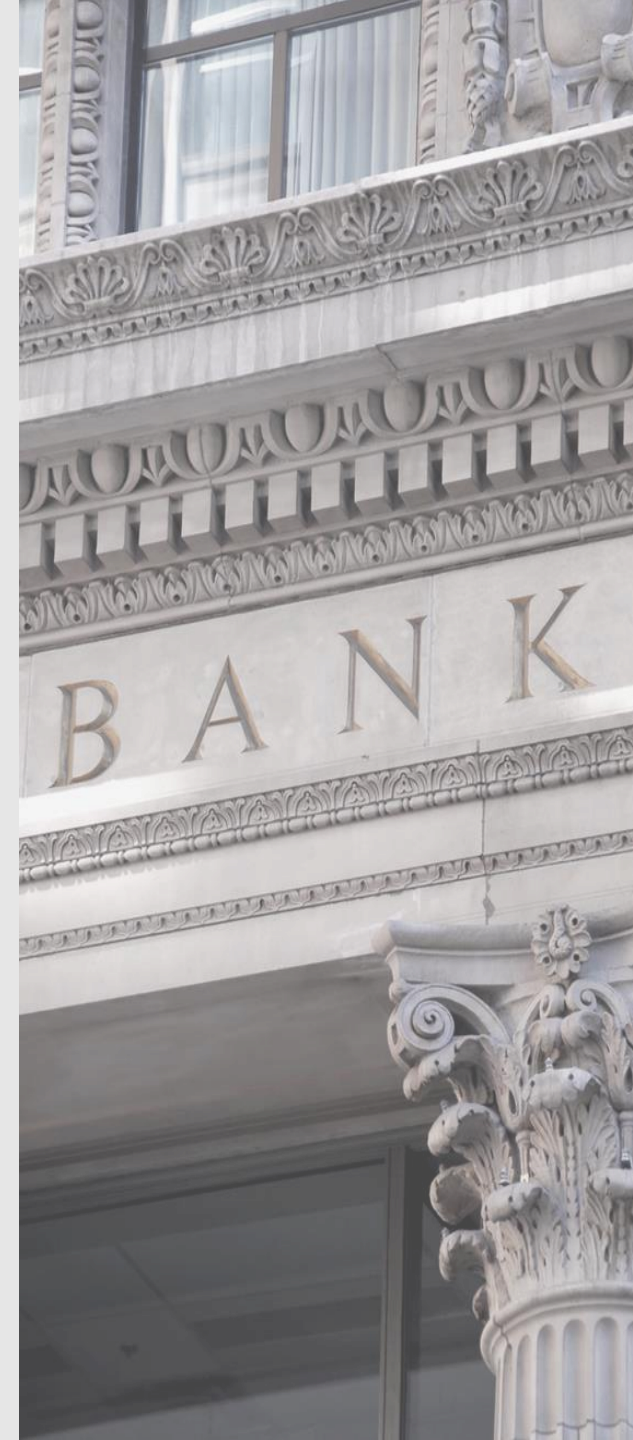
**Silicon Valley Bank and Signature Bank closures** caused an increased focus on:

- Immediate liquidity
- Uninsured deposits
- Deposit concentrations
- Non-bank Financial Institution (NBFI) deposits
- Unrealized losses in the securities portfolio



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# Access to Banking Act – New Legislation

## [HB 548 - Access to Banking Act](#)

- To promote the growth of financial services and education in low-to-moderate income (LMI) communities
- The Act utilizes two new tools to achieve these goals:
  - 1) Assessment credits
  - 2) Community Investment Venture Fund
- Effective date July 1, 2023



# Access to Banking Act (cont'd)

## First Tool: Bank and Credit Union Assessment Credits

- The Act adjusts the current assessment system to incentivize branch retention and de novo branches in LMI communities.
- Banks and credit unions will receive an assessment credit of \$0.06 per \$1,000 of deposits in branches currently in LMI communities and, for a period of five years, \$0.12 per \$1,000 of deposits in de novo branches in LMI communities.



# Access to Banking Act (cont'd)

## Second Tool: Maryland Community Investment Venture Fund

- The Fund's purpose is to invest in tools that will assist depository institutions better serve LMI communities.
- The Fund will:
  - Invest in and partner with fintech firms developing products that enhance access to capital in LMI communities;
  - Deploy, test, and evaluate the fintech innovations; and
  - Promote and make available to Maryland banks and credit unions the innovations developed by the partner fintechs.
- OFR may seed the Fund with an initial capital equity investment of \$2,500,000.
- Through June 30, 2028, OFR may match any investment in the Fund by a Maryland bank or credit union in the amount of the assessment credit earned by the Maryland bank or credit union.



# Access to Banking Act (cont'd)

## What is OFR doing now?

- Engaging various organizations, government agencies, and venture capital professionals to assist in strategies and goals for the Fund.
- Establishing the governance, determining how best to use a statutorily allocated \$250,000 to stand up and promote the Fund, and lining up partnerships with other organizations and government agencies that have experience managing similar programs.

## For more information...

- If you are a *state chartered bank or credit union*, monitor OFR's website and watch your emails for updates on the application process for next year's assessment credit.
- If you are a *firm interested in partnering with the Fund*, monitor OFR's website and subscribe to OFR emails for updates on next steps and eligibility criteria.
- Contact: Stephen Clampett ([Stephen.clampett1@maryland.gov](mailto:Stephen.clampett1@maryland.gov) or 410-230-6104)



# Financial Services – New Legislation

## HB 686 – Modernizing Licensing of Non-Depository Institutions and Elimination of Branch License Requirements

- No branch licenses
  - Must license main office in NMLS
- Changes to some surety bonds
- Assessments are to ensure adequate funding of our Office, given reduction in revenue from elimination of branch licenses
  - No assessment for FY 2024
- Effective date July 1, 2023



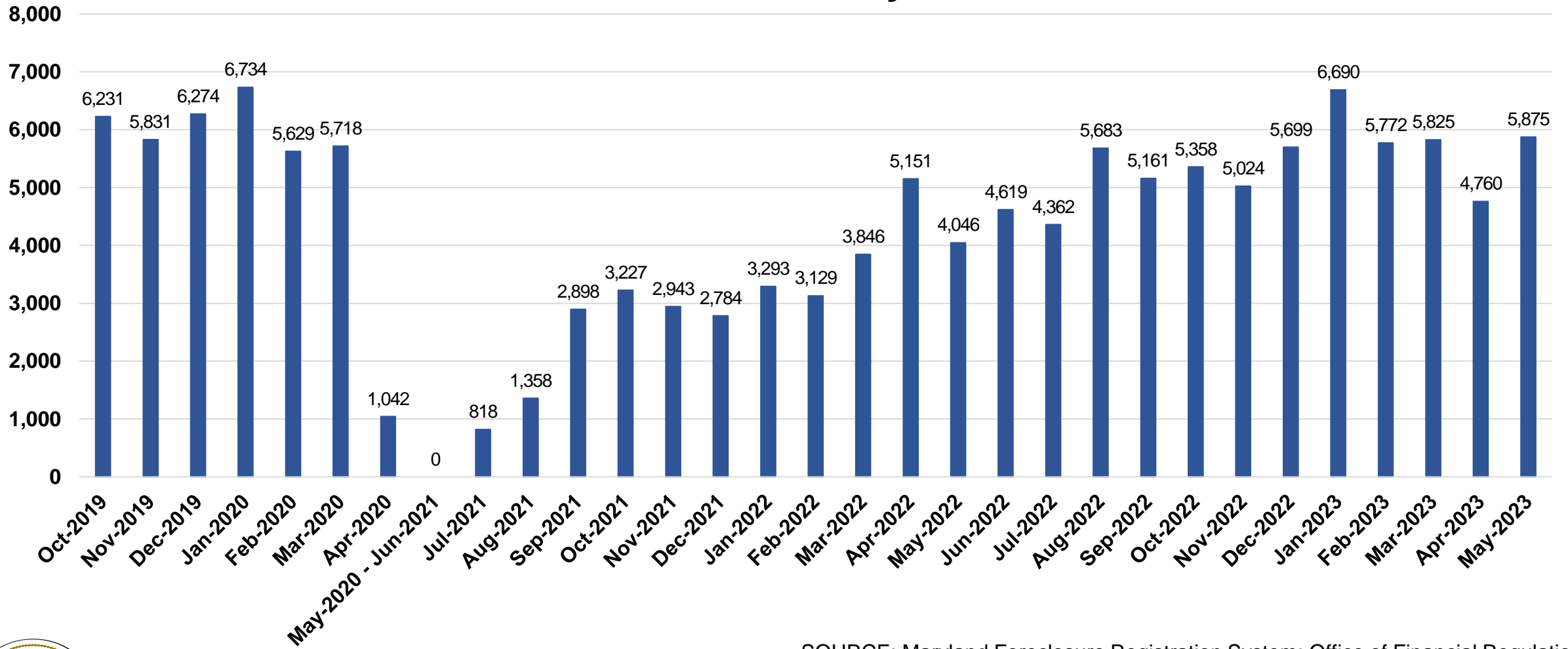
# Financial Services – New Legislation (cont'd)

## [HB 1150 – Credit Regulation - Shared Appreciation Agreements](#)

- Affirms position of Commissioner and Maryland Attorney General that these agreements are loans, requiring licensure
- OFR issued industry advisory on June 5, 2023 to provide interim guidance prior to adoption of regulation
  - Shared Appreciation Agreements should not be offered without licensure
  - Review [full guidance](#) on Industry Advisories page of OFR website
- Effective date July 1, 2023



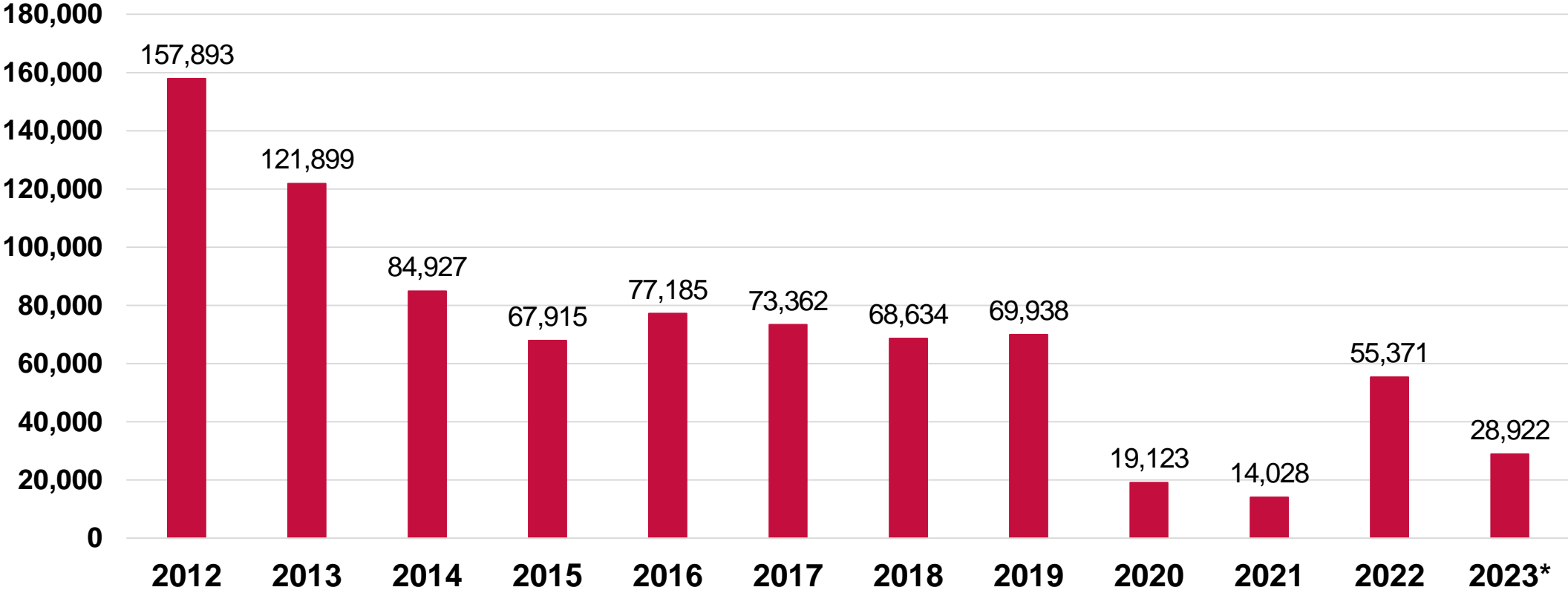
# Notices of Intent to Foreclose Received by OFR, by Month October 2019 - May 2023



SOURCE: Maryland Foreclosure Registration System; Office of Financial Regulation



# Notices of Intent to Foreclose Received by OFR, by Calendar Year (2012 - 2023)



\*Through May 31, 2023

SOURCE: Maryland Foreclosure Registration System; Office of Financial Regulation  
[labor.maryland.gov/finance/consumers/frforeclosedatatracker.shtml](https://labor.maryland.gov/finance/consumers/frforeclosedatatracker.shtml)





# Financial Services – New Regulation

## COMAR 09.03.12 Foreclosure Procedures

**Amended foreclosure regulation took effect March 1, 2023.** Changes include but are not limited to:

- Expiration of Notice of Intent to Foreclose after one year, or if foreclosure is dismissed or default is cured
- Duty of good faith and fair dealing in mediation, including obligation to: provide accurate accounting of debt, make borrower aware of loss mitigation options, and pursue loss mitigation when possible
- Cannot schedule sale if party fails to appear for scheduled mediation
- Office of Administrative Hearings (OAH) to file report of mediation outcome with the court
- Designated form if property has a “certificate of vacancy or property unfit for human habitation”, with instructions to borrower on challenging



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# Financial Services – Revised Guidance



HOMEOWNER  
ASSISTANCE FUND

## Maryland Homeowner Assistance Fund (HAF)

OFR issued [revised guidance](#) regarding Maryland HAF on December 29, 2022.

Provisions include but are not limited to:

- HAF relief to be considered early in the loss mitigation process
- If borrower has applied for HAF, Final Loss Mitigation Affidavit should not be filed until borrower receives HAF denial
- Reasonable time for HAF processing is no longer specified in guidance
- Addition to safe harbor – servicer provides borrower with the opportunity to receive HAF determination before accepting or rejecting servicer’s modification offer

OFR published “[HAF FAQs for Servicers](#)” based on the Q&A from the HAF Webinar held in February 2023 (see the Mortgage page in the Industry Resources section).



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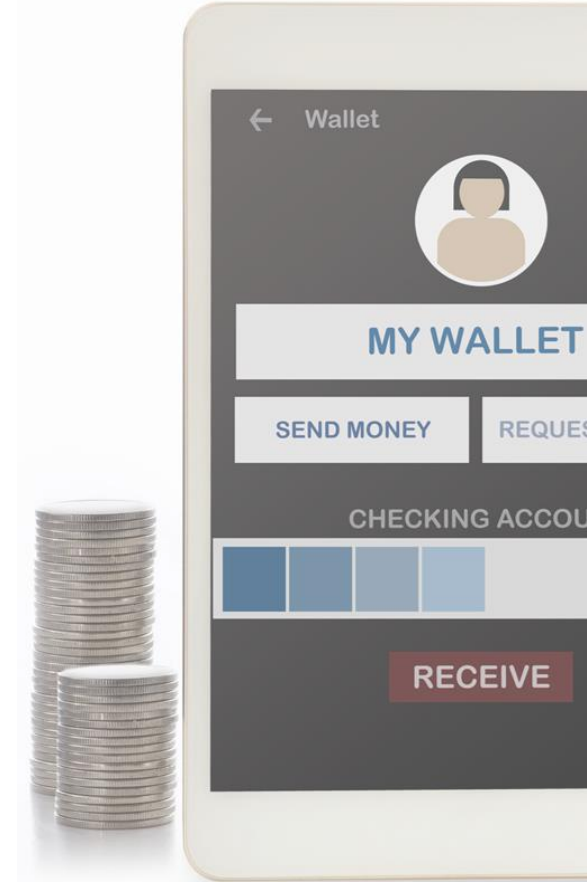
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# Financial Services – Pending Regulation

## [COMAR 09.03.14 Money Transmitters](#)

- **New regulation pending** – currently in internal review process
- Implements most provisions of the CSBS Model Law, intended to promote consistency among states
  - Clarifies that certain activities are not money transmission
  - Provides greater clarity regarding control persons, key individuals, and changes of control
  - Includes prudential standards
  - Includes governance standards



# Enforcement – Strategic Priorities

- Cases with significant risk of consumer harm or that involve a violation of consumer rights laws in Maryland, and give OFR an opportunity to clarify or establish its position
- Cases involving repeat offenders or having an indicia of recidivism
- Investigations involving a significant number of Maryland consumers affected by a violation of Maryland law under the authority of OFR, which indicate a systemic issue with a licensee's activities (either negligent or intentional)
- Bank-fintech partnerships that violate Maryland's usury laws
- Redlining and violations of Equal Credit Opportunity Act, Fair Housing Act, and other anti-discrimination laws



# Consumer Services

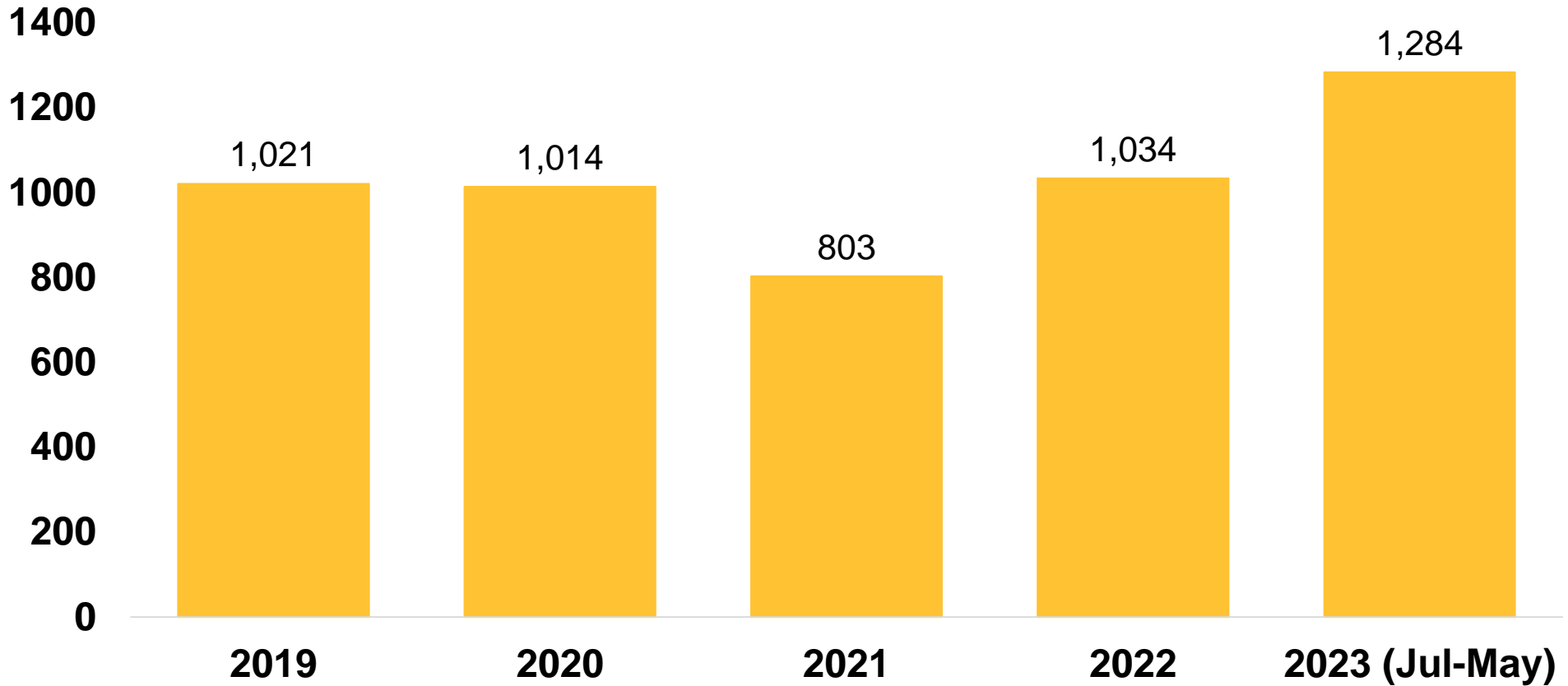
**The Consumer Services Unit (CSU) investigates consumer complaints involving regulated financial service providers, with the goal of resolving those complaints.**

- Complaint investigations help OFR enforce Maryland's consumer protection laws, monitor industry trends, and identify patterns or systemic issues.
- File a consumer complaint if you believe there is a violation of Maryland law by a regulated financial service provider. Complaints can also be submitted for allegations of unlicensed activity.
- Visit OFR's website to [submit a complaint](#) electronically.
- Please email the Consumer Services Unit at [CSU.Complaints@maryland.gov](mailto:CSU.Complaints@maryland.gov) for assistance or to determine whether the subject of your complaint falls under OFR's jurisdiction.

NOTE: If a housing counselor, attorney, or other representative is submitting a complaint on behalf of their client, the client must sign OFR's authorization form.



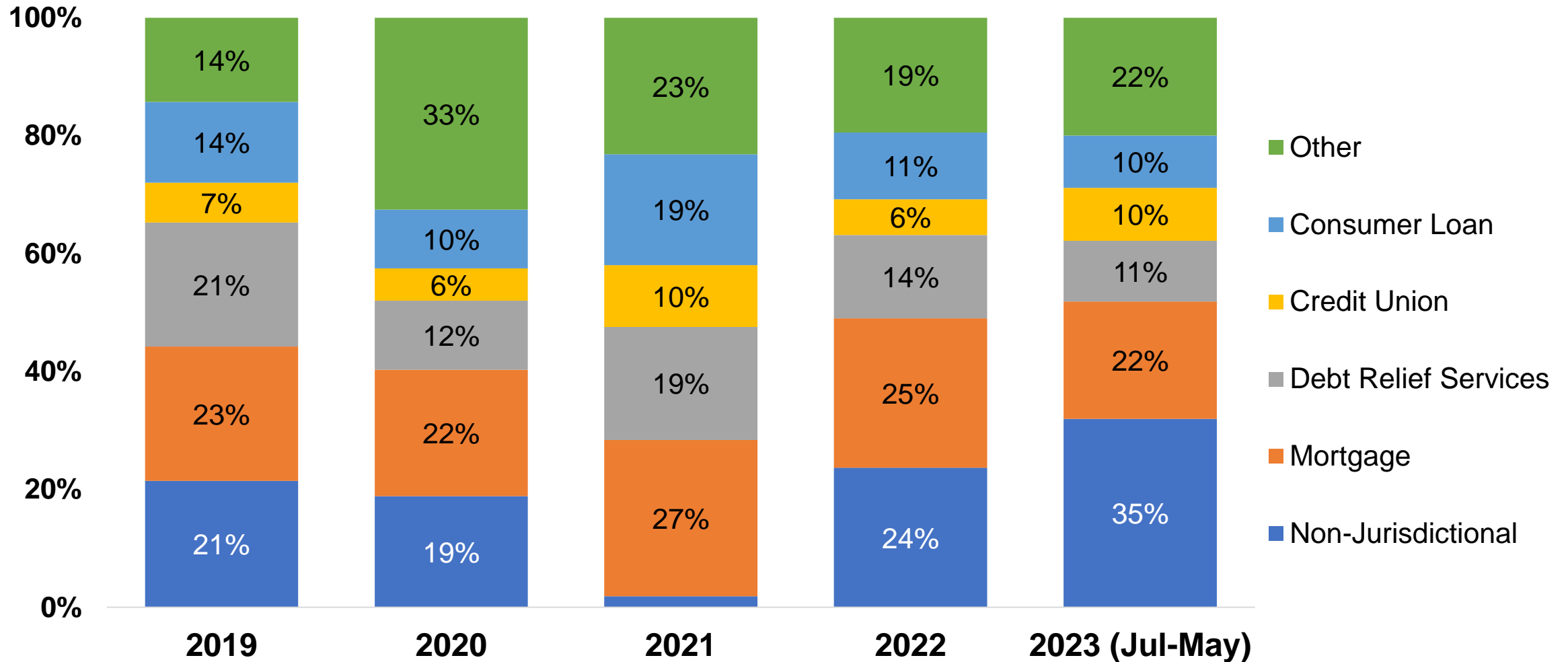
# Closed CSU Complaints FY2019 - FY2023



SOURCE: Maryland Office of Financial Regulation



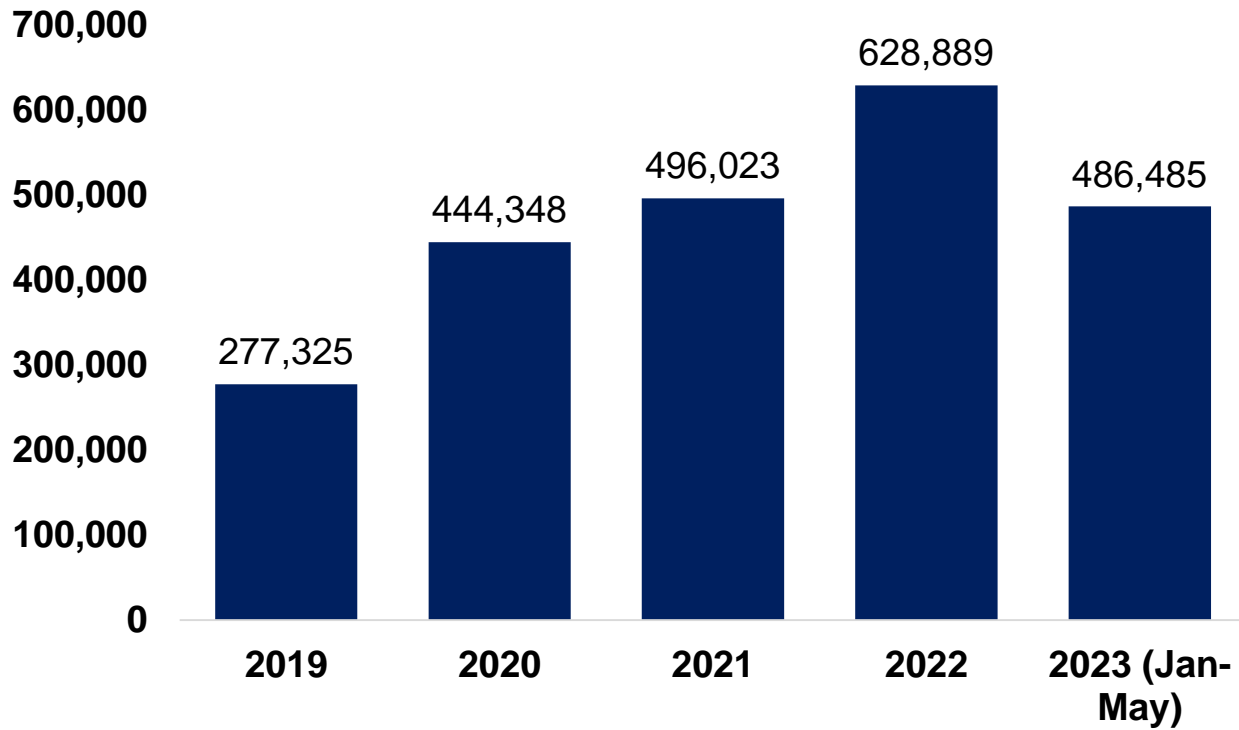
# Closed CSU Complaints by Product Type FY2019 - FY2023



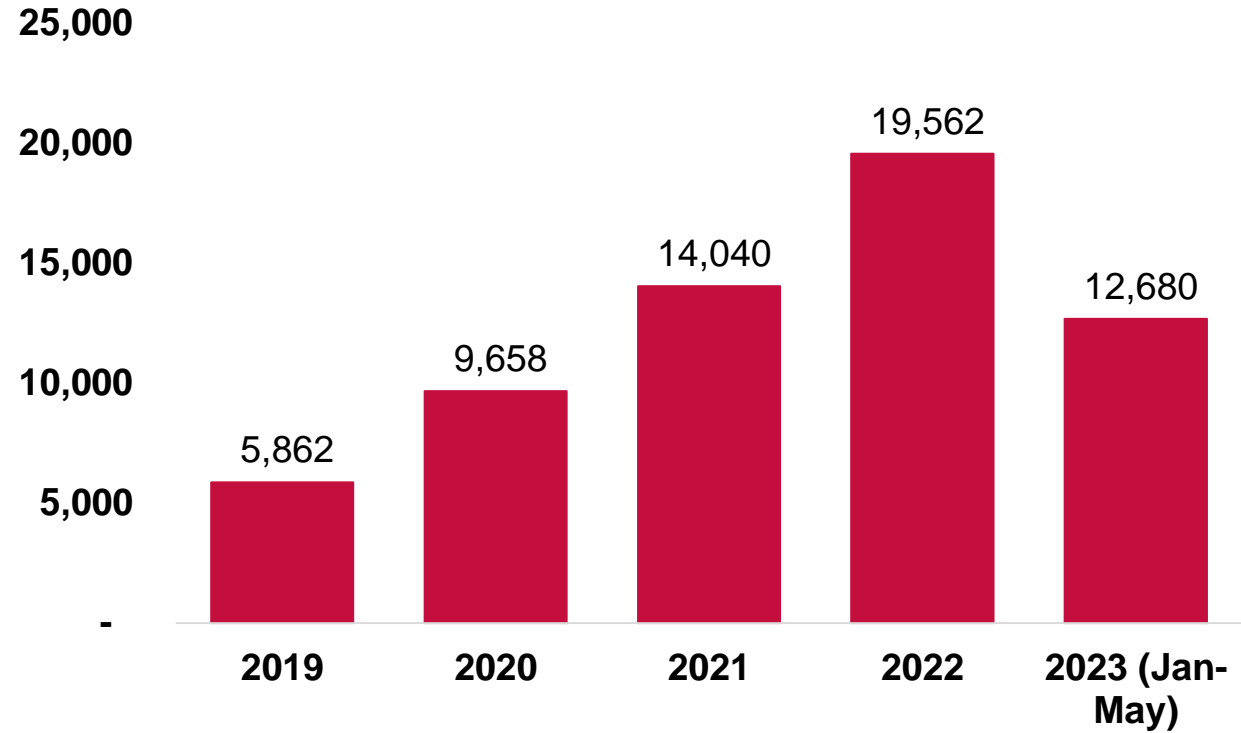
SOURCE: Maryland Office of Financial Regulation



## National CFPB Complaints CY2019 - CY2023



## Maryland-Based CFPB Complaints CY2019 - CY2023

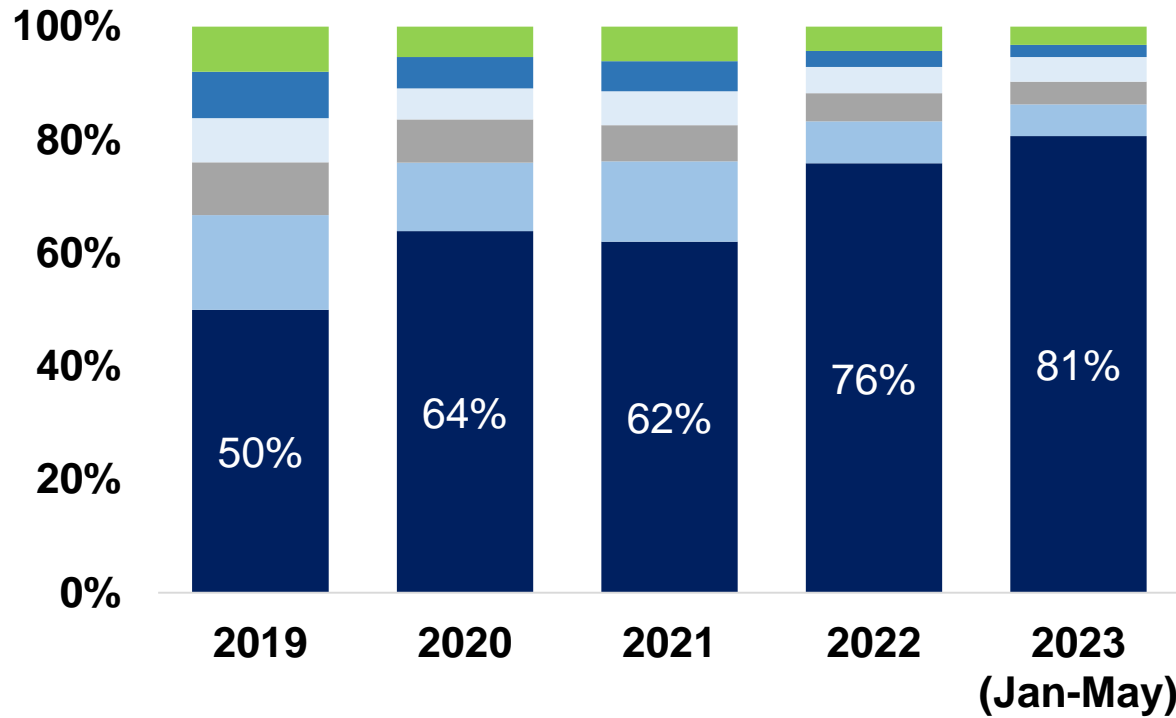


SOURCE: U.S. Consumer Financial Protection Bureau

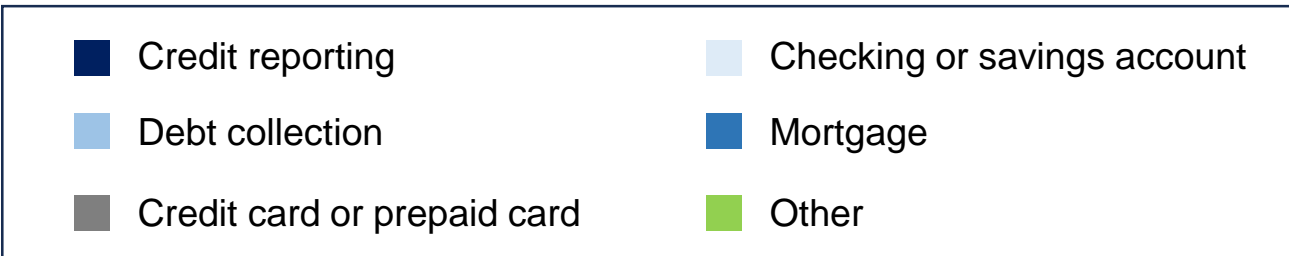
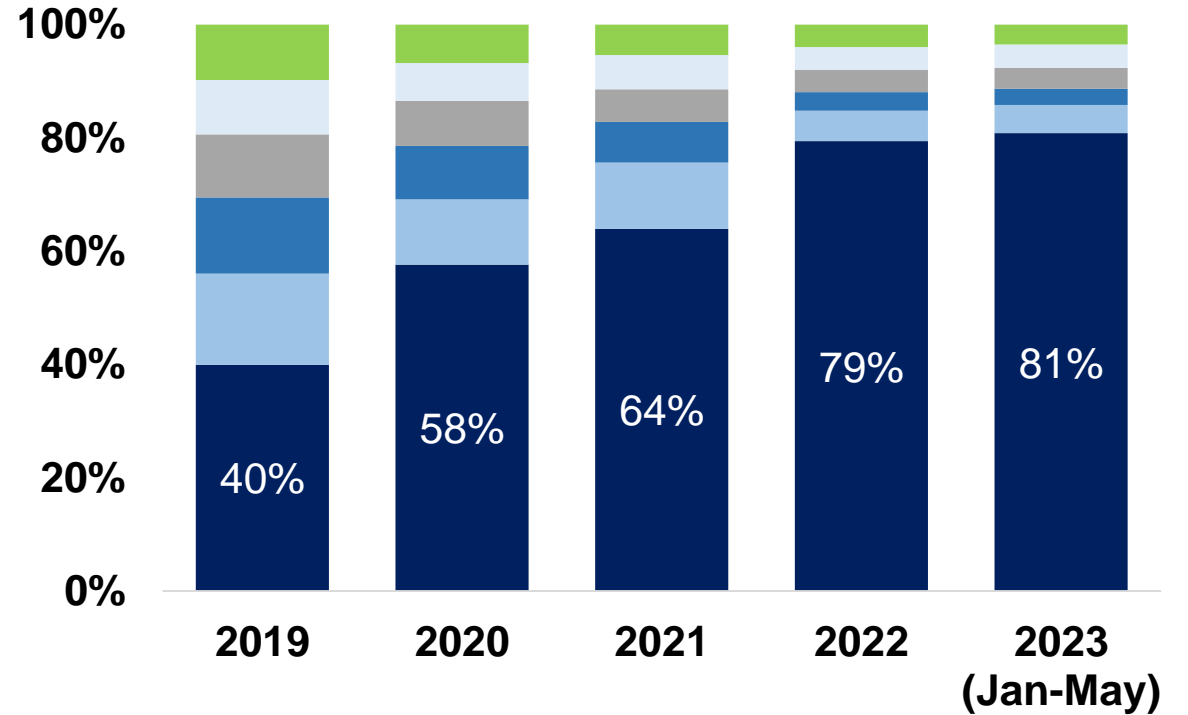




## National CFPB Complaints by Product Type CY2019 - CY2023



## Maryland-Based CFPB Complaints by Product Type CY2019 - CY2023

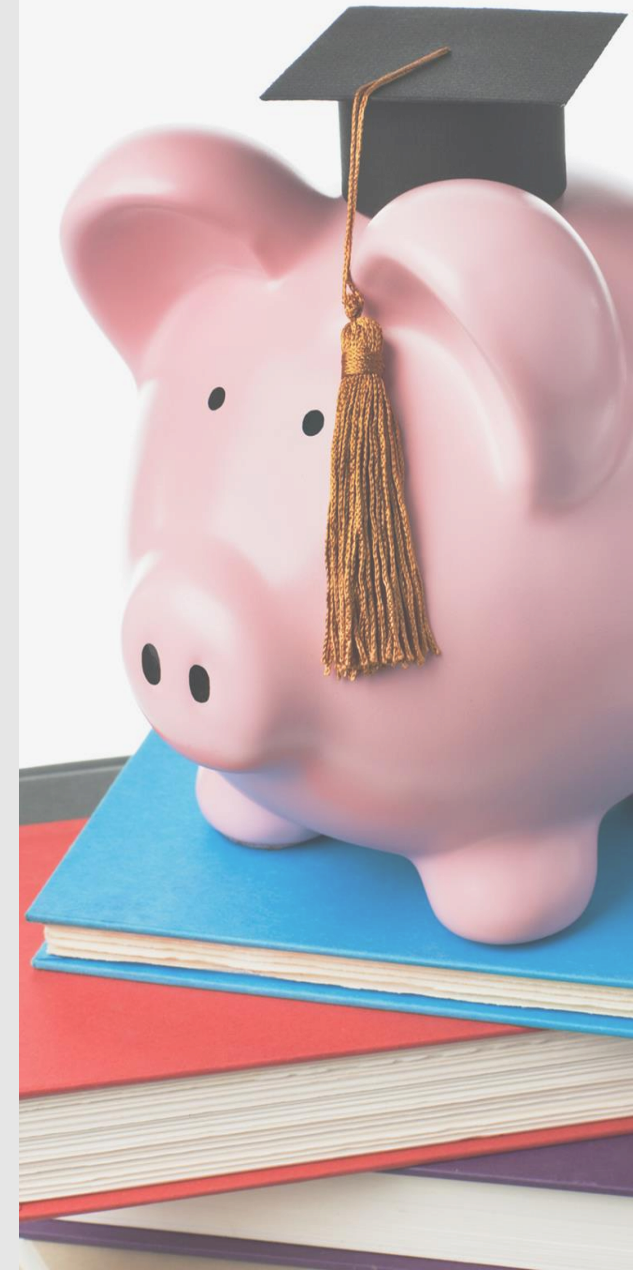


SOURCE: U.S. Consumer Financial Protection Bureau



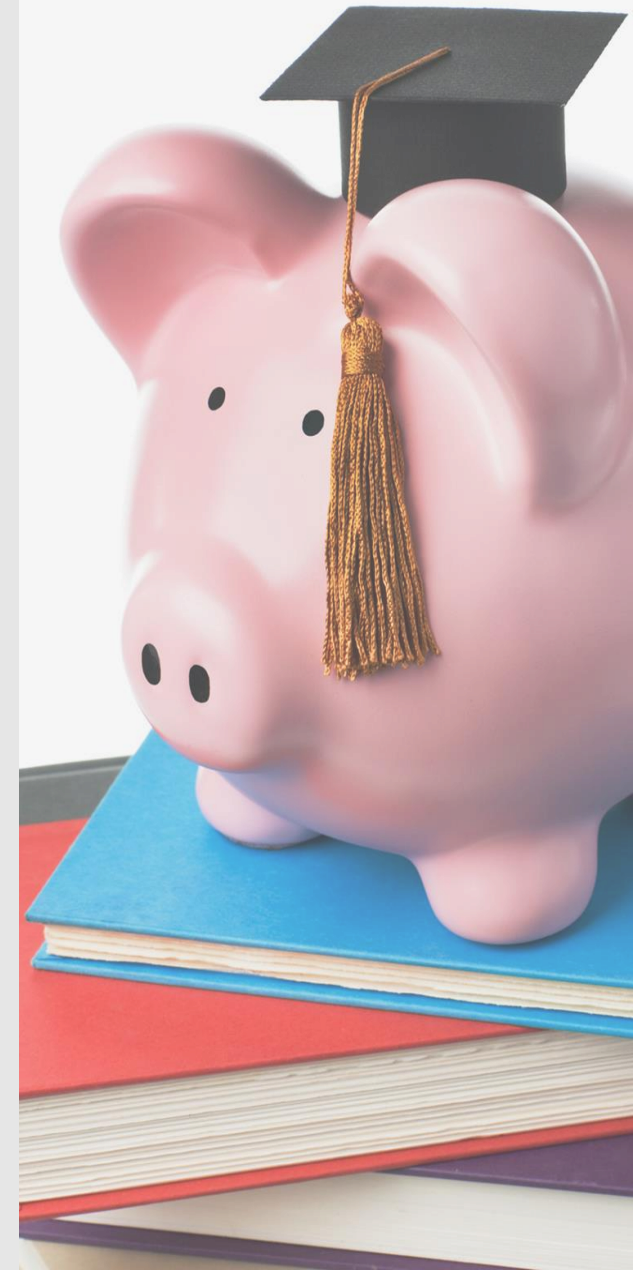
# About the Student Loan Ombudsman (SLO)

- SLO position established by the Maryland Financial Consumer Protection Act of 2018
- Monitors student loan servicing activity in Maryland
- Liaises between student loan borrowers and student loan servicers to resolve or refer complaints for resolution, civil enforcement, or criminal prosecution
- Provides information about student loan processes
- Gathers information about the state of student loan servicing in Maryland to inform the public and the legislature
- Visit the [SLO page](#) on OFR's website for more information, links to resources, and SLO complaint form



# SLO Activities in FY23

- Provided direct assistance Maryland student loan borrowers
- Remained in regular contact with other state SLO's throughout the country to keep apprised of developments and share information and ideas
- Engaged with the U.S. Department of Education on developments regarding:
  - 1) Student loan account transfers
  - 2) Return to repayment
  - 3) Limited Public Service Loan Forgiveness (PSLF) waiver



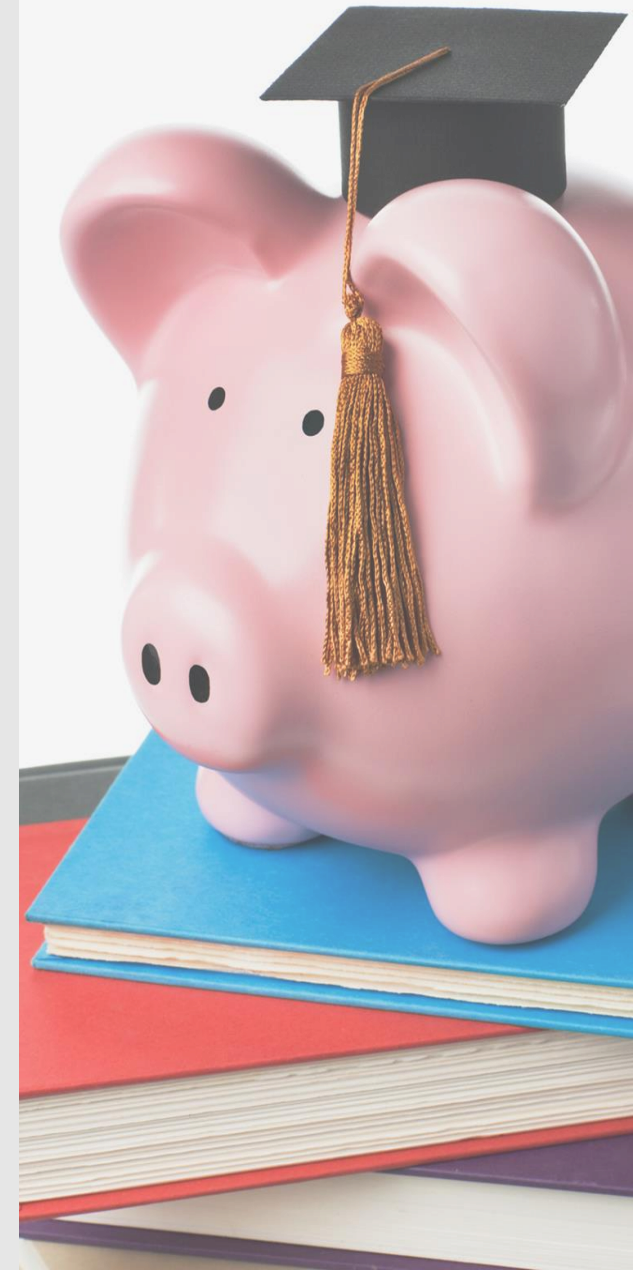
# SLO Legislative Updates

## HB 384 – Institutions of Higher Education - Transcripts - Prohibition on Punitive Measures Related to Student Debt

- Prohibiting an institution of higher education from refusing to provide a current or former student with a transcript or taking other punitive measures regarding a student's transcript request because the student owes a debt to the institution of higher education.
- Effective date July 1, 2023

## HB 680 – Income Tax - Student Loan Debt Relief Tax Credit

- Increases the total amount of credits against the State income tax that the Maryland Higher Education Commission may approve in a taxable year for certain individuals with certain student loan debt amounts.
- Effective date July 1, 2023



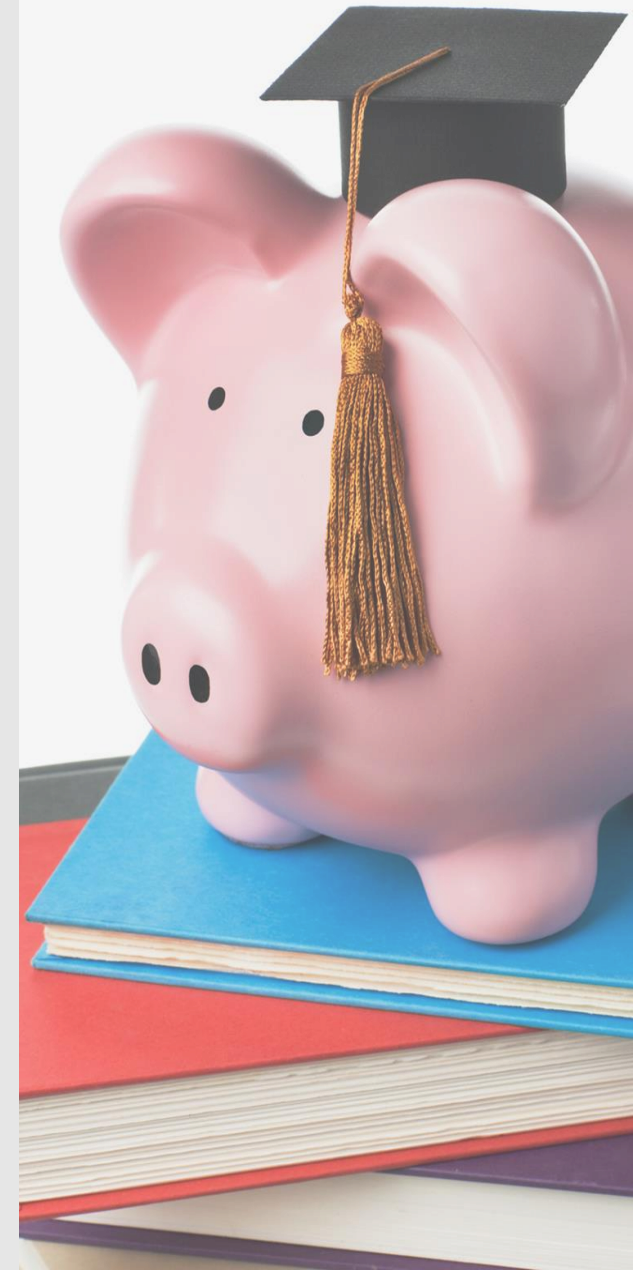
# SLO Legislative Updates (cont'd)

## [HB 913 – Financial Institutions - Student Financing Companies - Required Registration and Reporting](#)

- Requiring student financing companies to register with OFR through NMLS
- Requires reporting to OFR 15 data points beginning March 15, 2024.
- Effective date October 1, 2023

## **Public Service Loan Forgiveness Outreach**

In FY24, SLO intends to start work on materials that Maryland State agencies, nonprofits, and others can use to inform their staff about Public Service Loan Forgiveness.





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- Subscribe to emails
- Access resources
- Find contact information
- Learn more about OFR

Meredith Merchant

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## OCFR WEBSITE

[www.labor.maryland.gov/finance](http://www.labor.maryland.gov/finance)

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