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# MARYLAND COMMISSIONER OF FINANCIAL REGULATION

## INDUSTRY ADVISORY REGULATORY GUIDANCE

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September 2, 2021

### **Evaluation Rules and Alternative Methods of Determining Creditworthiness**

During the 2021 session, the General Assembly passed [House Bill 1213](#), which becomes effective on October 1, 2021, and makes changes to Md. Code Ann., Financial Institutions (“FI”) § 1-212. As of that date, certain financial institutions (specifically, Maryland chartered banking institutions, credit unions, and savings and loan associations, community development financial institutions, and specified credit grantors) will be explicitly required to adhere to specified federal regulations when evaluating an application for a primary residential mortgage loan or an extension of credit. Further, pursuant to the changes to FI § 1-212, those financial institutions shall consider four (4) enumerated verifiable alternative indications of creditworthiness.

#### **Summary:**

In addition to complying with the rules concerning the evaluation of applications under 12 C.F.R. § 1002.6, the above listed financial services providers, in pertinent part, will be required to consider the following verifiable alternative indications of creditworthiness:

- (1) history of rent or mortgage payments;
- (2) history of utility payments;
- (3) school attendance; and
- (4) work attendance.

In addition, upon request by the applicant, any entity subject to the bill’s requirements must consider other verifiable alternative indications of creditworthiness presented (or made available) to the entity by the applicant.

#### **Implementation and Compliance:**

Given the legislative mandate to evaluate certain verifiable alternative indications of creditworthiness as discussed herein, an entity subject to House Bill 1213 should be prepared to fully operationalize these requirements starting October 1, 2021. To that end, these entities should integrate this new requirement into their respective risk and compliance framework by establishing sufficient policies, procedures, and controls to ensure the appropriate and consistent implementation of these requirements. Failure to properly implement this provision of law could result in violations of Maryland law.

#### **Contact:**

For questions about this advisory, please contact Teresa M. Louro, Assistant Commissioner - Depository Supervision by phone at (410) 230-6022 or by email at [teresa.louro@maryland.gov](mailto:teresa.louro@maryland.gov); or Jedd Bellman - Assistant Commissioner for Non-Depository Supervision by phone at 410-230-6390 or by email at [jedd.bellman@maryland.gov](mailto:jedd.bellman@maryland.gov).

*The Office of the Commissioner of Financial Regulation, a division of the Maryland Department of Labor, is Maryland's consumer financial protection agency and financial services regulator. For more information, please visit our website at [www.labor.maryland.gov/finance](http://www.labor.maryland.gov/finance).*

