

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 38
Economic Matters

(Delegate Queen)

Finance

Financial Institutions - Licensing of Affiliated Insurance Producer-Mortgage
Loan Originators - Alterations

This bill allows an individual who originates loans made by a mortgage lender that is approved by the Commissioner of the Office of Financial Regulation (OFR) to be licensed as an “affiliated insurance producer-mortgage loan originator (AIP-MLO)” under specified conditions. Any individual licensed under the bill is subject to the licensing and regulatory framework set forth in current law for AIP-MLOs who work for financial institutions. The bill makes several technical and conforming changes, including substituting “sponsor” for “employer” in relevant portions of current law and clarifying the scope of activity a licensed AIP-MLO may undertake on behalf of a sponsor.

Fiscal Summary

State Effect: Potentially minimal increase in special fund revenues due to license application and other related fees beginning in FY 2027. OFR can otherwise implement the bill with existing budgeted resources.

Local Effect: The bill does not materially affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: To be approved by the commissioner to sponsor an AIP-MLO, a mortgage lender must be in good standing with OFR and any other regulator to which it is subject and be in material compliance with applicable State and federal law.

A licensed AIP-MLO must limit their activities to originating mortgage loans only on behalf of a sponsor that is:

- identified in the licensee’s application; and
- a mortgage lender or person that is exempt from licensing as a mortgage lender.

The bill clarifies that the above provisions do not authorize sponsorship for purposes other than acting as a mortgage loan originator on behalf of the sponsor, as specified.

Current Law:

Definitions

A “financial institution” refers to any bank, trust company, savings bank, savings and loan association, or credit union incorporated or chartered under the laws of this State or the United States or any other-state bank having a branch in this State.

A “mortgage lender” means any person who (1) is a mortgage broker; (2) makes a mortgage loan to any person; or (3) is a mortgage servicer. A “mortgage lender” does not include (1) a financial institution that accepts deposits and is regulated under Title 3, 4, 5, or 6 of the Financial Institutions Article; (2) the Federal Home Loan Mortgage Corporation; (3) the Federal National Mortgage Association; (4) the Government National Mortgage Association; (5) any person engaged exclusively in the acquisition of all or any portion of a mortgage loan under any federal, State, or local governmental program of mortgage loan purchases; or (6) an AIP-MLO, as specified.

An “affiliated insurance producer-mortgage loan originator” is an individual who (1) originates mortgage loans only on behalf of a single financial institution approved by OFR; (2) is a licensed insurance producer in good standing; and (3) holds an appointment as an insurance producer for an insurer that controls, or is controlled by, the aforementioned financial institution or an approved mortgage lender licensee approved by OFR.

When approving a financial institution or mortgage lender licensee, OFR must determine if the financial institution or licensee is in good standing with their primary state or federal regulator (including OFR for licensees) and is in material compliance with applicable State and federal law. OFR must notify a financial institution or a mortgage lender licensee of approval in writing.

Among other requirements, applications to be an AIP-MLO must identify:

- the financial institution;

- if applicable, the mortgage lender licensee; and
- the insurer with which the applicant holds an appointment.

The application must be signed by an authorized representative of the financial institution or the mortgage lender licensee identified in the application, as applicable.

A licensed AIP-MLO must limit their activities to originating mortgage loans only on behalf of a single financial institution approved by OFR.

The financial institution identified in a licensee's license application or, if a mortgage lender licensee is identified in a licensee's license application, the mortgage lender licensee must: (1) supervise the licensee, as specified; (2) be held jointly and severally liable with the licensee for claims arising out of the licensee's mortgage loan origination activities; and (3) meet, or cause the licensee to meet, surety bond requirements in current law, as specified.

AIP-MLOs are exempt from certain provisions of law applicable to mortgage loan originator licensees. Furthermore, an AIP-MLO is not considered a mortgage lender within the scope of the Maryland Mortgage Lender Law. A licensee who is an AIP-MLO must also maintain a surety bond that meets specified requirements.

A licensed AIP-MLO may not, among other things, aid or assist a borrower to obtain a mortgage loan from a financial institution other than the financial institution identified in the licensee's license application.

A licensed AIP-MLO may forward a check to the financial institution identified in the licensee's license application if the check is: (1) made payable to the financial institution; (2) from an applicant for a mortgage loan; and (3) in connection with an application for a mortgage loan to cover certain costs.

The Office of Financial Regulation

OFR is responsible for licensing and regulating mortgage lenders, brokers, servicers and loan originators, and other financial institutions. The office also supervises and regulates State-chartered financial institutions including State-chartered banks, credit unions, and trust companies. Supervision includes periodic on-site evaluations as well as off-site monitoring programs. The office responds to consumer complaints and oversees retail credit accounts, retail installment contracts, and credit grantor contracts.

State Revenues: The bill expands eligibility for AIP-MLO licensure, which carries a licensing fee of \$700. OFR advises that it has not received any applications for AIP-MLO licenses since 2020, with the number of licensees peaking at 27 in 2010. Based on this

information, this analysis assumes that few if any entities apply for an AIP-MLO license authorized by the bill. Based on this assumption, any impact on revenues is anticipated to be minimal.

Additional Comments: The bill replaces references to “employer” with “sponsor” numerous times throughout § 11-603.1 of the Financial Institutions Article, presumably because some AIP-MLOs are independent contractors. However, the term sponsor is never defined. The Maryland Department of Labor advises that, as it is used in the bill, the term sponsor is not used in other relevant areas of current law.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - January 28, 2026
caw/mcr Third Reader - March 20, 2026
Revised - Amendment(s) - March 20, 2026

Analysis by: Kayvon Samadani

Direct Inquiries to:
(410) 946-5510
(301) 970-5510