



2023 Regulatory Highlights



**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”



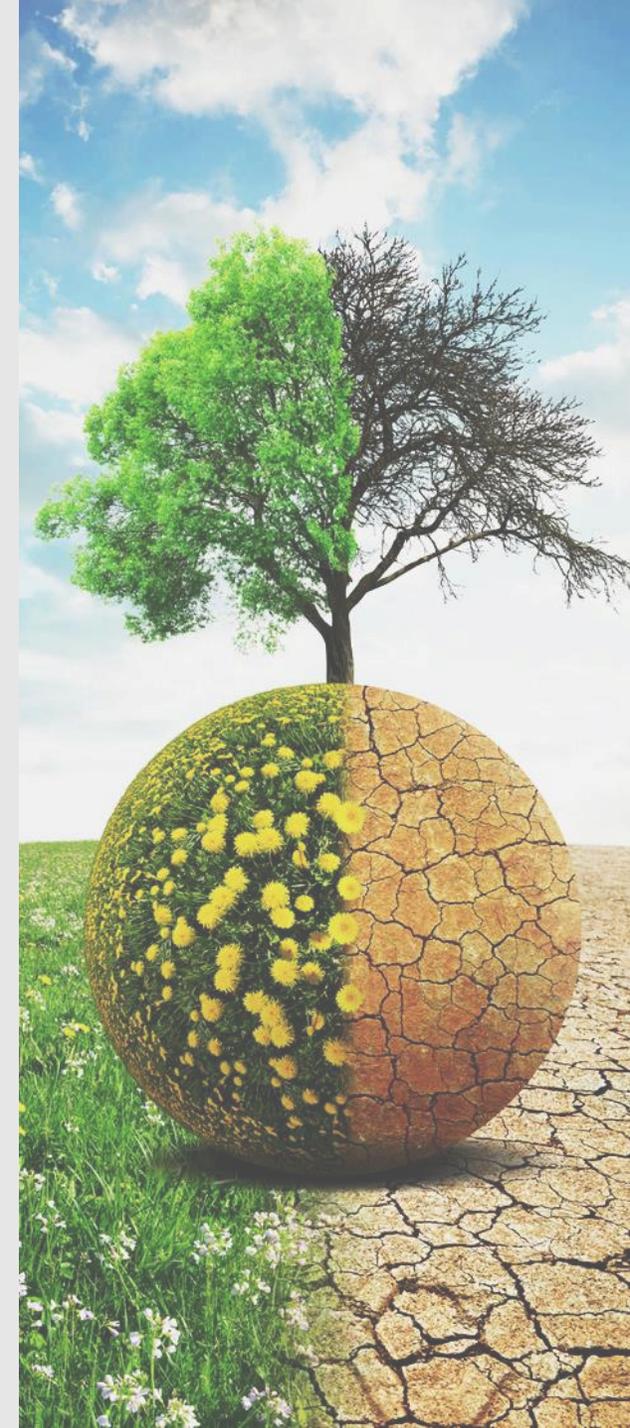
Goals for Fiscal Year 2024

- 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



Office of Financial Regulation
www.labor.maryland.gov/finance



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 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



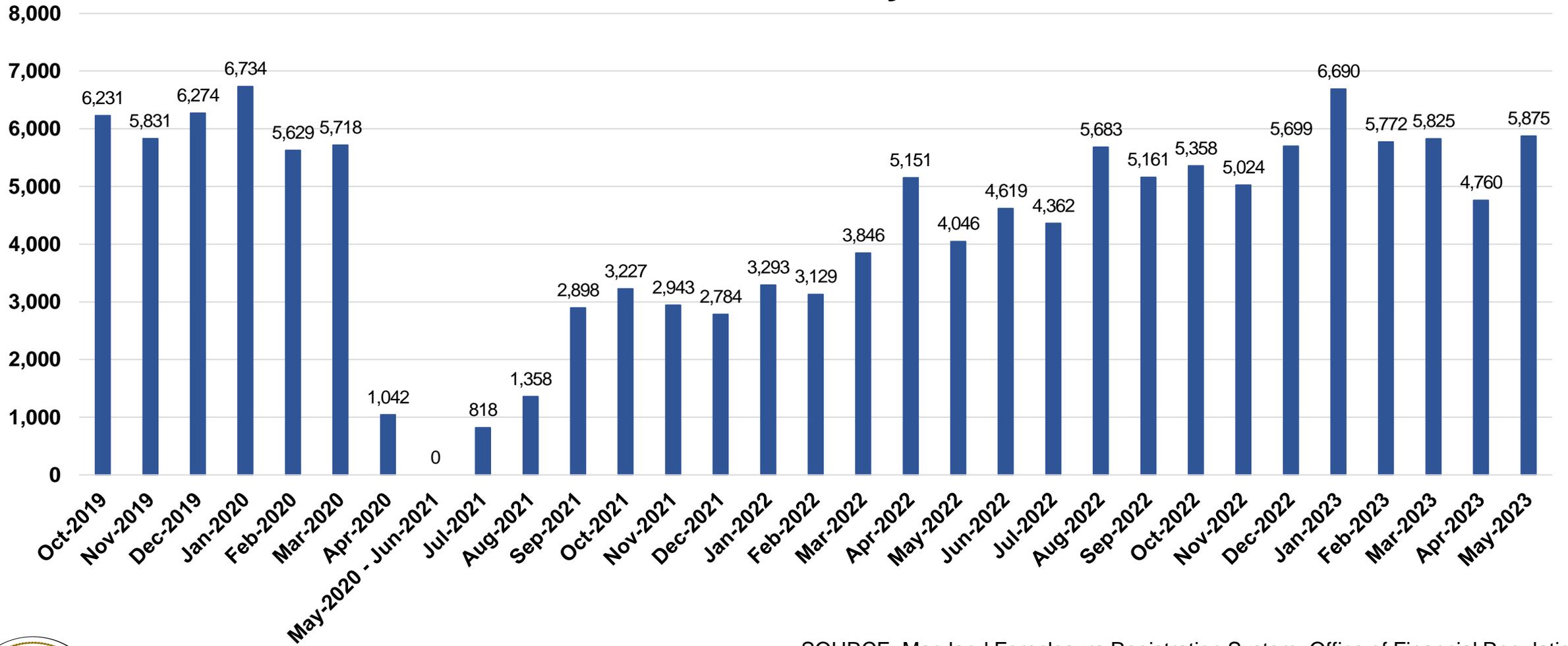
Financial Services – New Legislation (cont'd)

[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



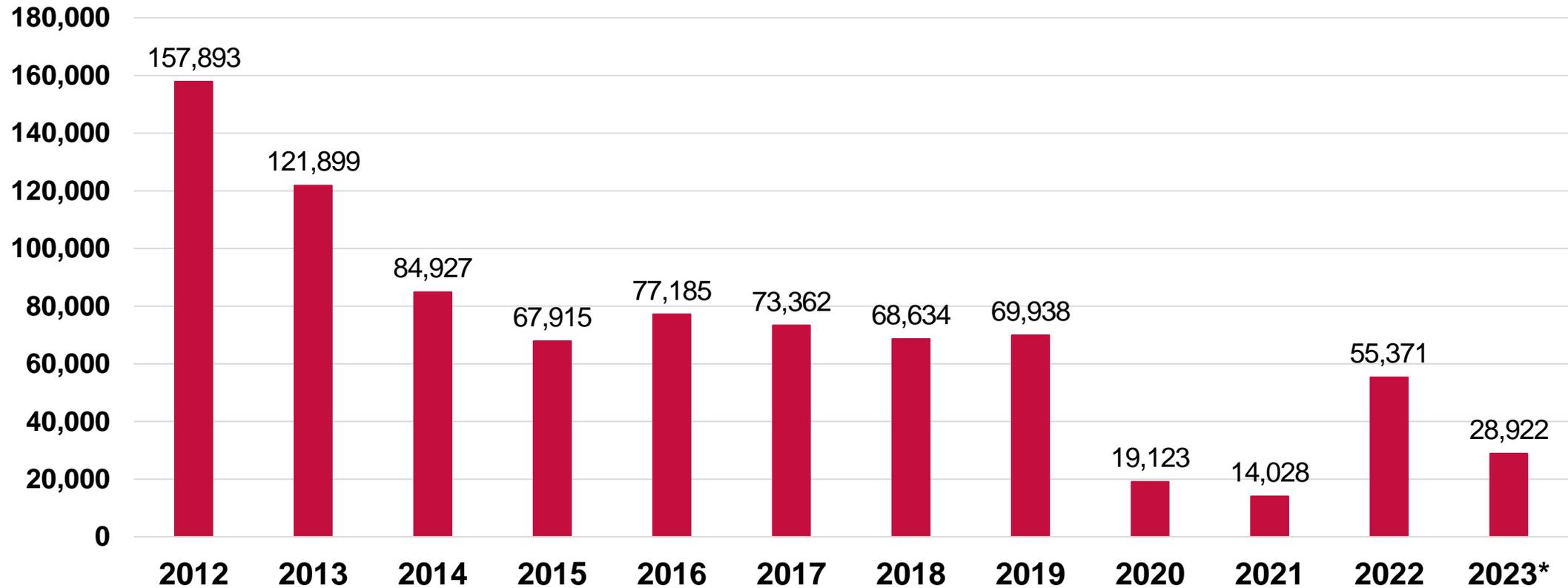
Notices of Intent to Foreclose Received by OFR, by Month October 2019 - May 2023



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



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



Office of Financial Regulation
www.labor.maryland.gov/finance



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).



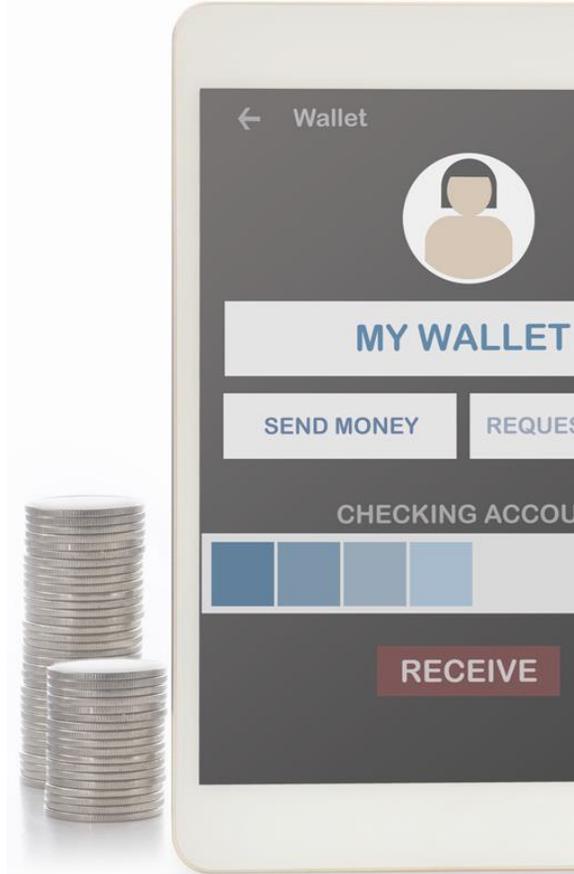
Office of Financial Regulation
www.labor.maryland.gov/finance



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

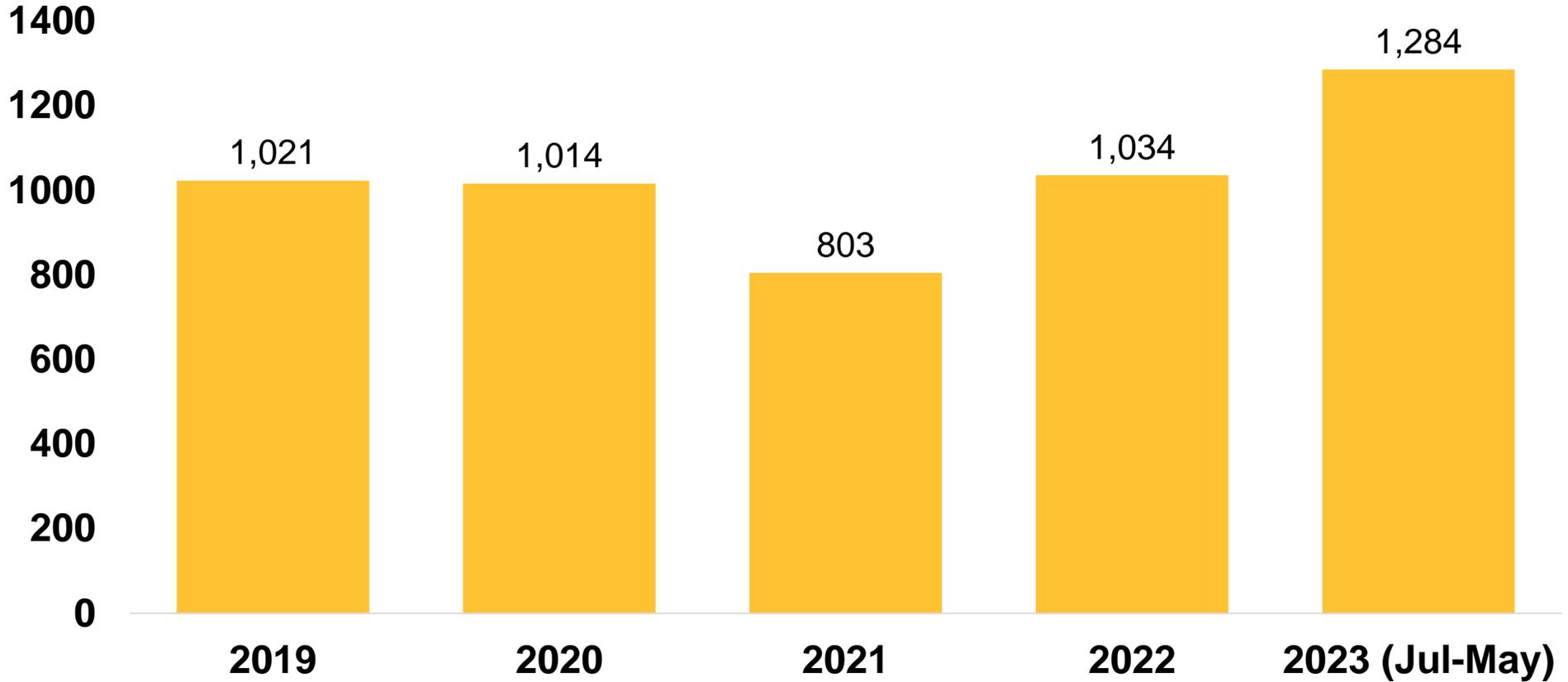
The Consumer Services Unit (CSU) investigates consumer complaints involving regulated financial service providers, with the goal of resolving those complaints.

- 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 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.



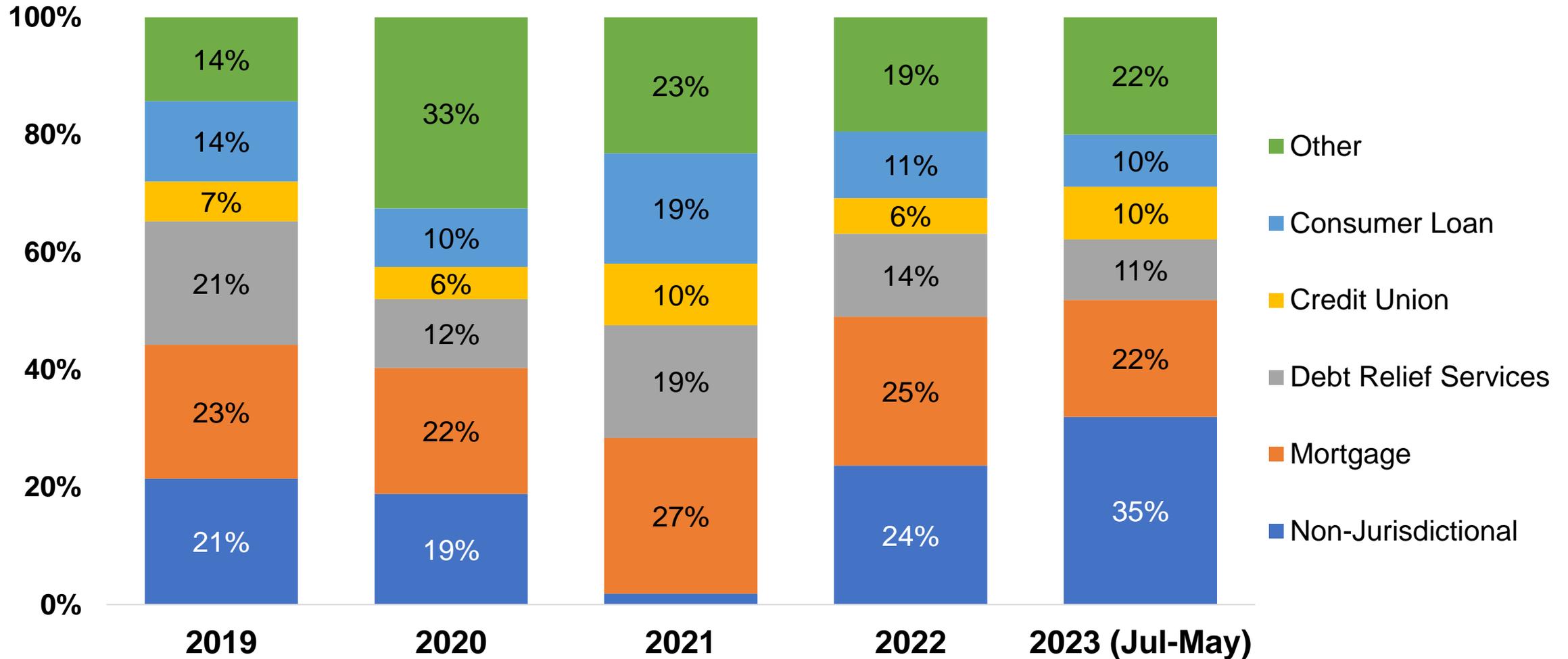
Closed CSU Complaints FY2019 - FY2023



SOURCE: Maryland Office of Financial Regulation



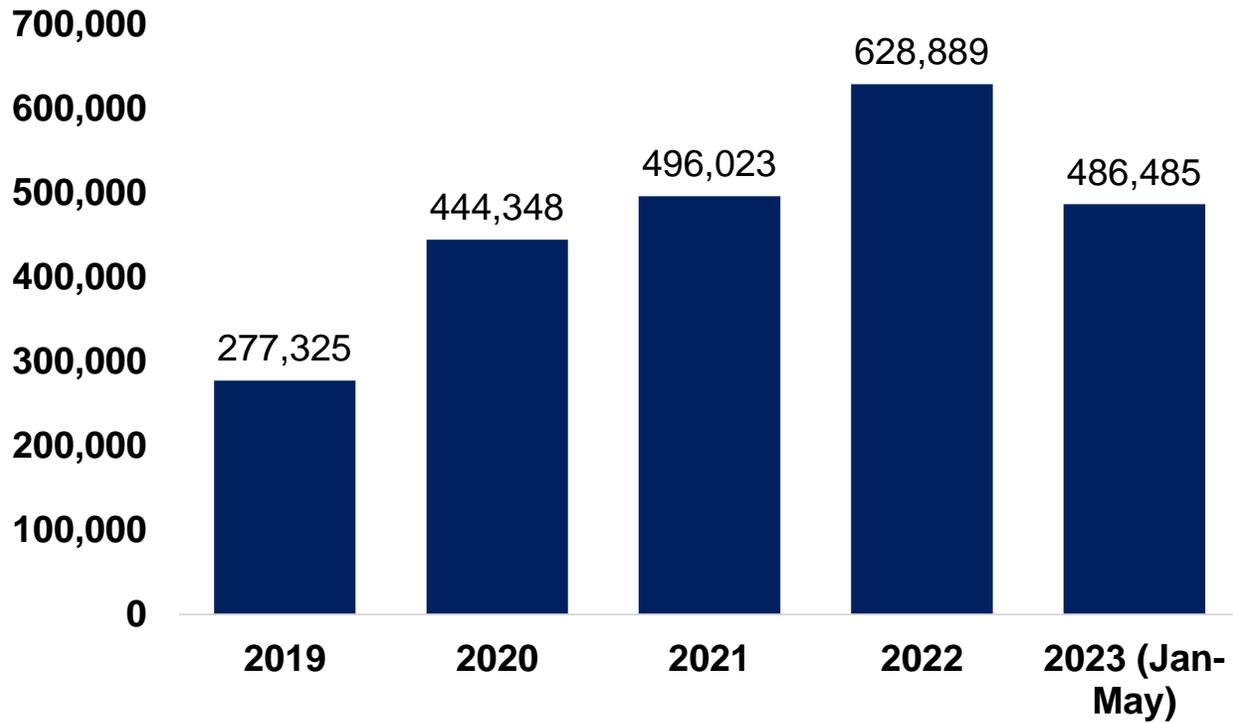
Closed CSU Complaints by Product Type FY2019 - FY2023



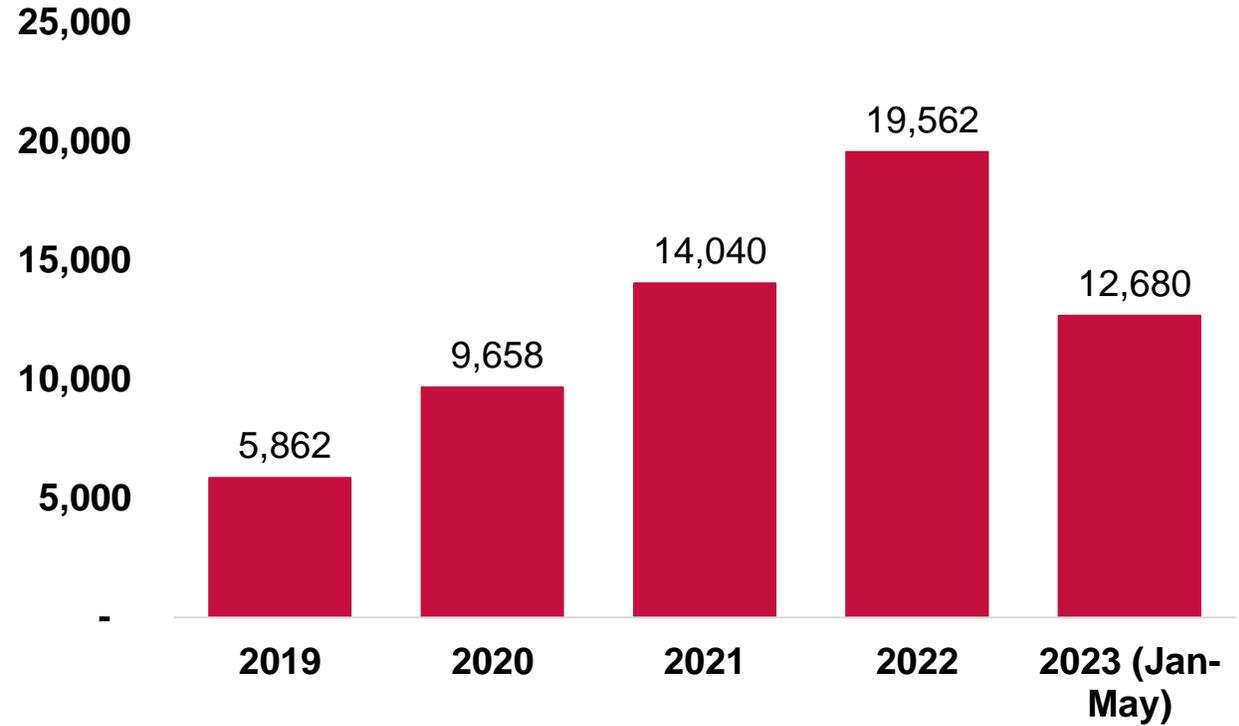
SOURCE: Maryland Office of Financial Regulation



National CFPB Complaints CY2019 - CY2023



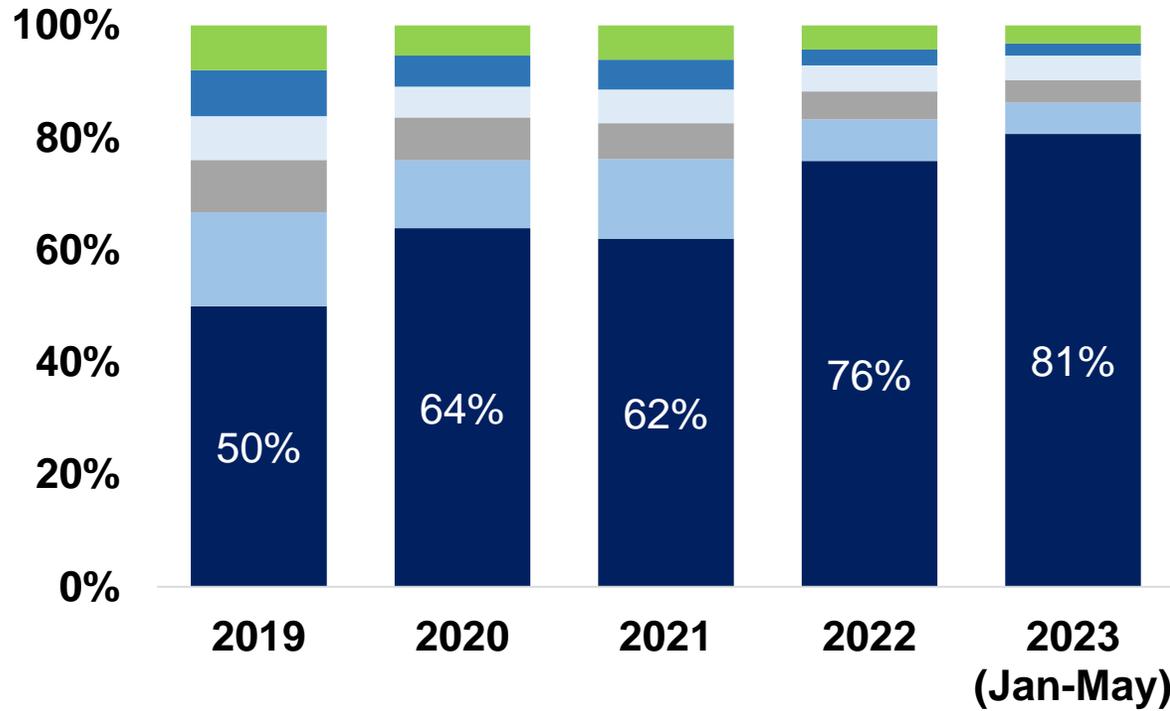
Maryland-Based CFPB Complaints CY2019 - CY2023



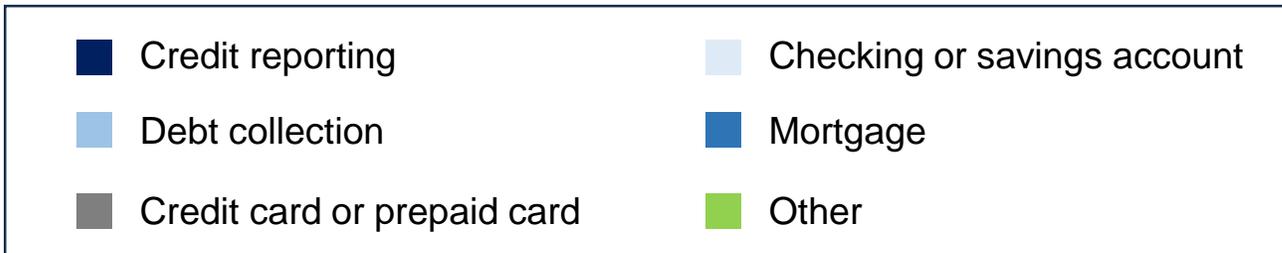
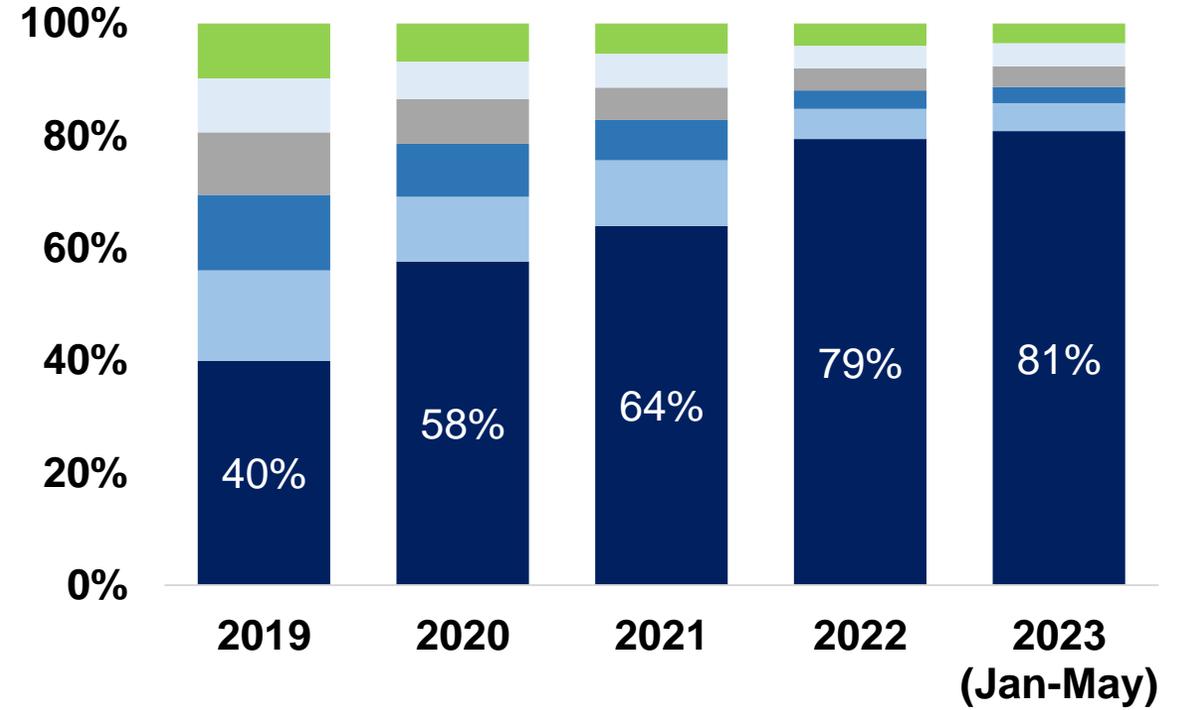
SOURCE: U.S. Consumer Financial Protection Bureau



National CFPB Complaints by Product Type CY2019 - CY2023



Maryland-Based CFPB Complaints by Product Type CY2019 - CY2023

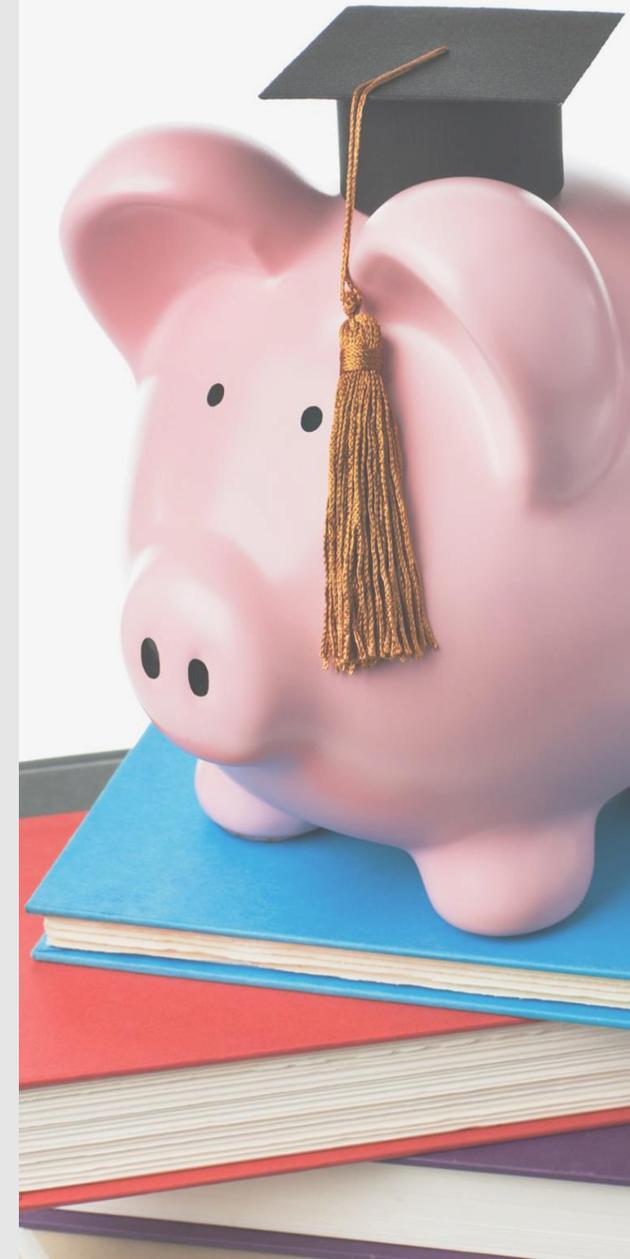


SOURCE: U.S. Consumer Financial Protection Bureau



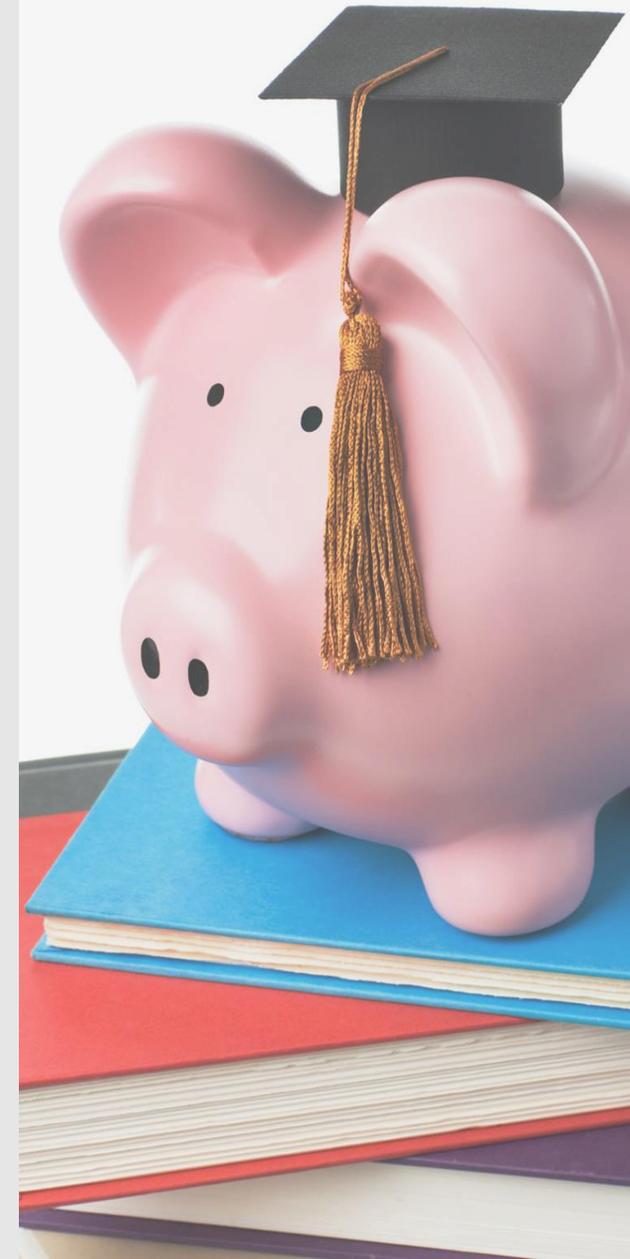
About the Student Loan Ombudsman (SLO)

- 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



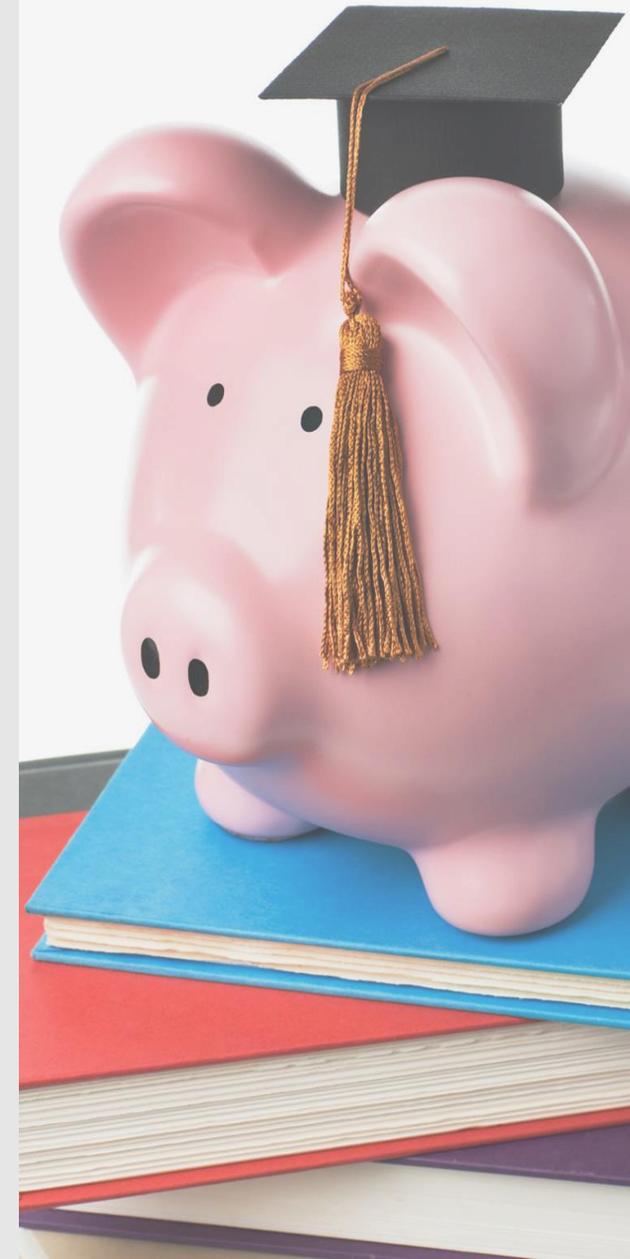
SLO Legislative Updates

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



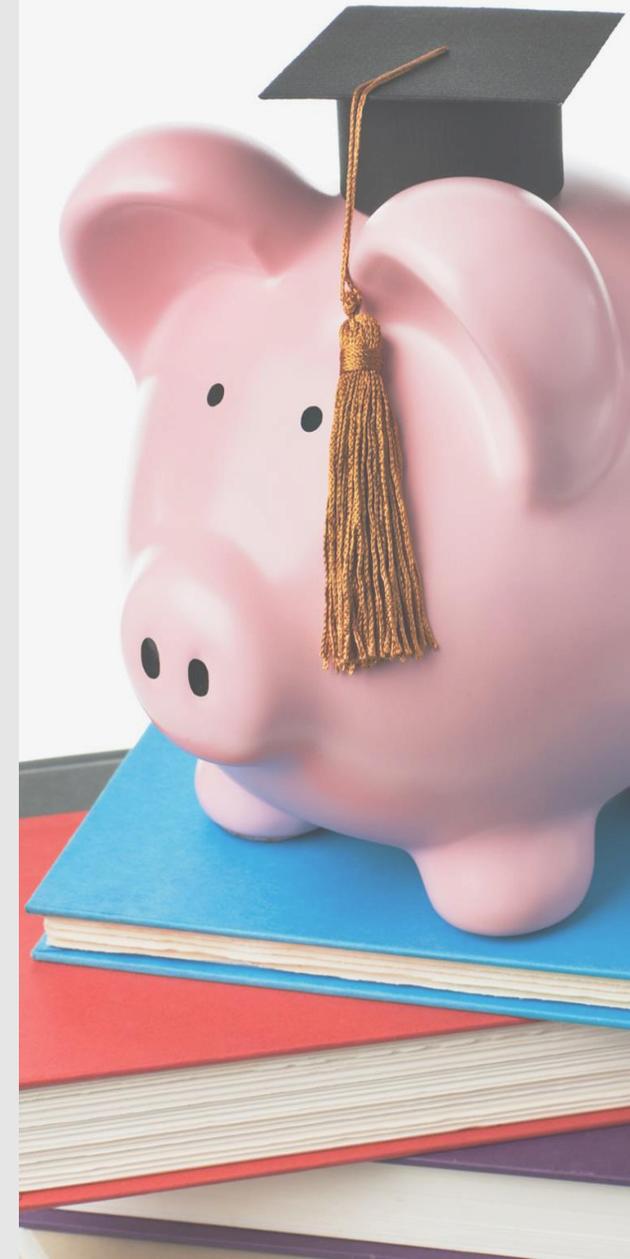
SLO Legislative Updates (cont'd)

[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.





Office of Financial Regulation

Visit labor.maryland.gov/finance to:

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

Meredith Merchant

Director of Outreach and Education

meredith.merchant@maryland.gov

OCFR WEBSITE

www.labor.maryland.gov/finance

MAIN PHONE NUMBER

(410) 230-6100

GENERAL E-MAIL

DLFRFinReg-LABOR@maryland.gov

OFFICE ADDRESS

1100 North Eutaw Street, Suite 611
Baltimore, Maryland 21201



Wes Moore, Governor

Aruna Miller, Lt. Governor

Portia Wu, Secretary, Maryland Department of Labor

Antonio P. Salazar, Commissioner of Financial Regulation