

HOUSE BILL 913

11

3lr1620

By: **Delegates Lopez, Crutchfield, Griffith, and Phillips**

Introduced and read first time: February 9, 2023

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Student Financing Companies – Required Registration**
3 **and Reporting**

4 FOR the purpose of requiring student financing companies to register with the
5 Commissioner of Financial Regulation; requiring student financing companies to
6 report certain information to the Commissioner; and generally relating to student
7 financing companies.

8 BY repealing and reenacting, without amendments,
9 Article – Financial Institutions
10 Section 1–101(a) and (g)
11 Annotated Code of Maryland
12 (2020 Replacement Volume and 2022 Supplement)

13 BY adding to
14 Article – Financial Institutions
15 Section 12–1101 through 12–1105 to be under the new subtitle “Subtitle 11. Student
16 Financing Companies”
17 Annotated Code of Maryland
18 (2020 Replacement Volume and 2022 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
20 That the Laws of Maryland read as follows:

21 **Article – Financial Institutions**

22 1–101.

23 (a) In this article, unless the context clearly requires otherwise, the following
24 words have the meanings indicated.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(g) “Commissioner” means the Commissioner of Financial Regulation in the Maryland Department of Labor.

SUBTITLE 11. STUDENT FINANCING COMPANIES.

12-1101.

(A) IN THIS SUBTITLE THE FOLLOWING TERMS HAVE THE MEANINGS INDICATED.

(B) (1) “INSTITUTION OF POSTSECONDARY EDUCATION” HAS THE MEANING STATED IN § 10-101 OF THE EDUCATION ARTICLE.

(2) “INSTITUTION OF POSTSECONDARY EDUCATION” INCLUDES AN INSTITUTION THAT:

(I) 1. IS NOT ACCREDITED BY AN ACCREDITED BODY RECOGNIZED AND APPROVED BY THE U.S. DEPARTMENT OF EDUCATION; OR

2. IS NOT AUTHORIZED TO OPERATE IN THE STATE; AND

(II) CONDUCTS EDUCATION BY CORRESPONDENCE, ONLINE, OR IN PERSON.

(C) (1) “STUDENT FINANCING” MEANS AN EXTENSION OF CREDIT TO A CONSUMER, CONTRACTUAL OR OTHERWISE, CONTINGENT OR ABSOLUTE, THAT IS:

(I) NOT MADE, INSURED, OR GUARANTEED UNDER TITLE IV OF THE FEDERAL HIGHER EDUCATION ACT OF 1965;

(II) EXTENDED TO A CONSUMER EXPRESSLY, IN WHOLE OR IN PART, FOR POSTSECONDARY EDUCATIONAL EXPENSES, REGARDLESS OF WHETHER THE EXTENSION OF CREDIT IS PROVIDED BY THE INSTITUTION OF POSTSECONDARY EDUCATION THAT THE CONSUMER ATTENDS; AND

(III) NOT A LOAN SECURED BY REAL PROPERTY OR A DWELLING.

(2) “STUDENT FINANCING” INCLUDES AN EXTENSION OF CREDIT USED TO REFINANCE OR REPAY EXISTING STUDENT FINANCING.

(D) (1) “STUDENT FINANCING COMPANY” MEANS AN INSTITUTION ENGAGED IN THE BUSINESS OF SECURING, MAKING, OR EXTENDING CREDIT TO A CONSUMER FOR PURPOSES OF PAYING FOR EXPENSES RELATED TO POSTSECONDARY EDUCATION.

1 **(2) “STUDENT FINANCING COMPANY” DOES NOT INCLUDE, TO THE**
2 **EXTENT THAT STATE REGULATION IS PREEMPTED BY FEDERAL LAW:**

3 **(I) A BANK, SAVINGS BANK, SAVINGS AND LOAN ASSOCIATION,**
4 **OR CREDIT UNION;**

5 **(II) A WHOLLY OWNED SUBSIDIARY OF A BANK OR CREDIT**
6 **UNION; OR**

7 **(III) AN OPERATING SUBSIDIARY WHERE EACH OWNER IS**
8 **WHOLLY OWNED BY THE SAME BANK OR CREDIT UNION.**

9 **12-1102.**

10 **(A) BEGINNING MARCH 15, 2024, A STUDENT FINANCING COMPANY SHALL**
11 **REGISTER WITH THE COMMISSIONER AS A STUDENT FINANCING COMPANY BEFORE**
12 **PROVIDING SERVICES IN THE STATE.**

13 **(B) AN APPLICATION FOR REGISTRATION SHALL INCLUDE:**

14 **(1) THE STUDENT FINANCING COMPANY’S NAME;**

15 **(2) THE STUDENT FINANCING COMPANY’S ADDRESS;**

16 **(3) THE NAME OF ALL OFFICERS, DIRECTORS, PARTNERS, AND**
17 **OWNERS OF CONTROLLING INTERESTS OF THE STUDENT FINANCING COMPANY;**

18 **(4) THE ADDRESSES OF ALL OFFICERS, DIRECTORS, PARTNERS, AND**
19 **OWNERS OF CONTROLLING INTERESTS IN THE STUDENT FINANCING COMPANY; AND**

20 **(5) ANY OTHER INFORMATION THAT THE COMMISSIONER REQUIRES**
21 **BY REGULATION.**

22 **(C) A STUDENT FINANCING COMPANY SHALL RENEW ITS REGISTRATION ON**
23 **AN ANNUAL BASIS.**

24 **(D) THE COMMISSIONER MAY ADOPT AND ENFORCE:**

25 **(1) REGISTRATION PROCEDURES FOR STUDENT FINANCING**
26 **COMPANIES, INCLUDING PROCEDURES FOR RENEWING A REGISTRATION; AND**

(2) ALTERNATE REGISTRATION PROCEDURES FOR INSTITUTIONS OF POSTSECONDARY EDUCATION THAT OFFER STUDENT FINANCING PRODUCTS.

12-1103.

(A) ON OR BEFORE MARCH 15, 2024, AND MARCH 15 EACH YEAR THEREAFTER:

(1) A STUDENT FINANCING COMPANY THAT SECURES, MAKES, OR EXTENDS STUDENT FINANCING IN THE STATE SHALL REPORT TO THE COMMISSIONER ON THE FORM THE COMMISSIONER PROVIDES:

(I) A LIST OF ALL SCHOOLS ATTENDED BY CONSUMERS WHO RECEIVED STUDENT FINANCING FROM THE STUDENT FINANCING COMPANY AND RESIDED WITHIN THE STATE AT THE TIME OF THE TRANSACTION, INCLUDING STUDENT FINANCING USED TO REFINANCE AN EXISTING DEBT;

(II) THE TOTAL OUTSTANDING DOLLAR AMOUNT OWED BY CONSUMERS WHO RECEIVED STUDENT FINANCING FROM THE STUDENT FINANCING COMPANY AND RESIDED IN THE STATE AT THE TIME OF THE TRANSACTION;

(III) THE TOTAL NUMBER OF STUDENT FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO CONSUMERS WHO RESIDED IN THE STATE AT THE TIME OF THE TRANSACTION;

(IV) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS OWED BY CONSUMERS WHO RESIDED IN THE STATE AT THE TIME OF THE TRANSACTION, ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEM (I) OF THIS ITEM;

(V) THE TOTAL DOLLAR AMOUNT OF STUDENT FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO CONSUMERS WHO RESIDED IN THE STATE IN THE PRIOR CALENDAR YEAR;

(VI) THE TOTAL NUMBER OF STUDENT FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO CONSUMERS WHO RESIDED IN THE STATE IN THE PRIOR CALENDAR YEAR;

(VII) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS OWED BY CONSUMERS WHO RESIDED IN THE STATE, ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEM (I) OF THIS ITEM, THAT WERE PROVIDED IN THE PRIOR CALENDAR YEAR;

1 (VIII) THE RATE OF DEFAULT FOR CONSUMERS RESIDING IN THE
2 STATE WHO OBTAINED STUDENT FINANCING FROM THE STUDENT FINANCING
3 COMPANY, IF APPLICABLE;

4 (IX) THE RATE OF DEFAULT FOR CONSUMERS RESIDING IN THE
5 STATE WHO OBTAINED STUDENT FINANCING FROM THE STUDENT FINANCING
6 COMPANY ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEM (I) OF THIS
7 ITEM, IF APPLICABLE;

8 (X) THE RANGE OF INITIAL INTEREST RATES FOR STUDENT
9 FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO
10 CONSUMERS WHO RESIDED IN THE STATE IN THE PRIOR CALENDAR YEAR;

11 (XI) OF THE TOTAL NUMBER OF CONSUMERS WHO RECEIVED
12 STUDENT FINANCING PRODUCTS UNDER ITEM (X) OF THIS ITEM, THE PERCENTAGE
13 OF CONSUMERS WHO RECEIVED EACH RATE IDENTIFIED UNDER ITEM (X) OF THIS
14 ITEM;

15 (XII) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
16 FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO
17 CONSUMERS WHO RESIDED IN THE STATE AT THE TIME OF THE TRANSACTION AND
18 HAD A COSIGNER FOR THE STUDENT FINANCING PRODUCT;

19 (XIII) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
20 FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO
21 CONSUMERS RESIDING IN THE STATE USED TO REFINANCE A PRIOR STUDENT
22 FINANCING PRODUCT IN THE PRIOR CALENDAR YEAR;

23 (XIV) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
24 FINANCING PRODUCTS FOR WHICH THE STUDENT FINANCING COMPANY HAD SUED
25 TO COLLECT FROM A CONSUMER RESIDING IN THE STATE IN THE PRIOR CALENDAR
26 YEAR;

27 (XV) A COPY OF THE PROMISSORY NOTE, AGREEMENT,
28 CONTRACT, OR OTHER INSTRUMENT USED BY THE STUDENT FINANCING COMPANY
29 IN THE PREVIOUS CALENDAR YEAR TO SUBSTANTIATE:

30 1. THAT STUDENT FINANCING HAS BEEN EXTENDED TO
31 A CONSUMER RESIDING IN THE STATE; OR

32 2. THAT A CONSUMER IDENTIFIED IN ITEM 1 OF THIS
33 ITEM OWES A DEBT TO THE STUDENT FINANCING COMPANY; AND

(XVI) ANY OTHER INFORMATION CONSIDERED NECESSARY BY THE COMMISSIONER TO ASSESS THE TOTAL SIZE AND STATUS OF THE STUDENT FINANCING MARKET AND WELL-BEING OF CONSUMERS IN THE STATE; AND

(2) A STUDENT FINANCING COMPANY THAT ACQUIRES OR ASSUMES STUDENT FINANCING PRODUCTS IN THE STATE SHALL REPORT TO THE COMMISSIONER ON THE FORM THE COMMISSIONER PROVIDES:

(I) A LIST OF ALL SCHOOLS ATTENDED BY CONSUMERS RESIDING IN THE STATE WHO USED THE STUDENT FINANCING PRODUCTS ASSUMED OR ACQUIRED BY THE STUDENT FINANCING COMPANY;

(II) A LIST OF ALL THE SCHOOLS ATTENDED BY CONSUMERS RESIDING IN THE STATE THROUGH THE USE OF INITIAL STUDENT FINANCING PRODUCTS THAT WERE REFINANCED AND THEN ASSUMED OR ACQUIRED BY THE STUDENT FINANCING COMPANY;

(III) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS THAT HAVE BEEN ACQUIRED OR ASSUMED BY THE STUDENT FINANCING COMPANY AND PROVIDED TO CONSUMERS WHO RESIDE IN THE STATE;

(IV) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS OWED BY CONSUMERS WHO RESIDE IN THE STATE THAT HAVE BEEN ASSUMED OR ACQUIRED BY THE STUDENT FINANCING COMPANY, ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEMS (I) AND (II) OF THIS ITEM;

(V) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS OWED BY CONSUMERS WHO RESIDED IN THE STATE THAT WERE ACQUIRED OR ASSUMED BY THE STUDENT FINANCING COMPANY IN THE PRIOR CALENDAR YEAR;

(VI) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT FINANCING PRODUCTS THAT WERE ACQUIRED OR ASSUMED BY THE STUDENT FINANCING COMPANY AND PROVIDED TO CONSUMERS WHO RESIDED IN THE STATE IN THE PRIOR YEAR, ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEMS (I) AND (II) OF THIS ITEM;

(VII) THE RATE OF DEFAULT FOR STUDENT FINANCING PRODUCTS ACQUIRED OR ASSUMED BY THE STUDENT FINANCING COMPANY, IF APPLICABLE;

1 (VIII) THE RATE OF DEFAULT FOR STUDENT FINANCING
2 PRODUCTS ACQUIRED OR ASSUMED BY THE STUDENT FINANCING COMPANY
3 ASSOCIATED WITH EACH SCHOOL IDENTIFIED UNDER ITEMS (I) AND (II) OF THIS
4 ITEM, IF APPLICABLE;

5 (IX) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER
6 OF STUDENT FINANCING PRODUCTS PROVIDED TO CONSUMERS RESIDING IN THE
7 STATE WHO HAD A COSIGNER FOR THE STUDENT FINANCING PRODUCT, IF
8 APPLICABLE;

9 (X) THE TOTAL OUTSTANDING DOLLAR AMOUNT AND NUMBER
10 OF STUDENT FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING
11 COMPANY TO CONSUMERS RESIDING IN THE STATE TO REFINANCE A PRIOR
12 STUDENT FINANCING PRODUCT;

13 (XI) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
14 FINANCING PRODUCTS PROVIDED TO CONSUMERS RESIDING IN THE STATE FOR
15 WHICH THE STUDENT FINANCING COMPANY HAS SUED TO COLLECT FROM
16 CONSUMERS;

17 (XII) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
18 FINANCING PRODUCTS PROVIDED BY THE STUDENT FINANCING COMPANY TO
19 CONSUMERS RESIDING IN THE STATE USED TO REFINANCE A PRIOR STUDENT
20 FINANCING PRODUCT IN THE PRIOR CALENDAR YEAR;

21 (XIII) THE TOTAL DOLLAR AMOUNT AND NUMBER OF STUDENT
22 FINANCING PRODUCTS FOR WHICH THE STUDENT FINANCING COMPANY HAD SUED
23 TO COLLECT FROM CONSUMERS RESIDING IN THE STATE IN THE PRIOR CALENDAR
24 YEAR; AND

25 (XIV) ANY OTHER INFORMATION CONSIDERED NECESSARY BY
26 THE COMMISSIONER TO ASSESS THE TOTAL SIZE AND STATUS OF THE STUDENT
27 FINANCING MARKET AND WELL-BEING OF CONSUMERS IN THE STATE.

28 (B) THE COMMISSIONER MAY ESTABLISH A PROCESS FOR REPORTING THE
29 INFORMATION REQUIRED UNDER SUBSECTION (A) OF THIS SECTION TO AVOID THE
30 DUPLICATIVE REPORTING OF INFORMATION BY STUDENT FINANCING COMPANIES
31 TO THE COMMISSIONER IF A STUDENT FINANCING COMPANY IS REQUIRED TO
32 REPORT THE INFORMATION REQUIRED UNDER SUBSECTION (A) OF THIS SECTION TO
33 THE COMMISSIONER UNDER ANOTHER PROVISION OF STATE OR FEDERAL LAW.

34 12-1104.

1 THE COMMISSIONER MAY ADOPT REGULATIONS TO IMPLEMENT THIS
2 SUBTITLE.

3 12-1105.

4 (A) (1) THE COMMISSIONER MAY USE THE INVESTIGATIVE AND
5 ENFORCEMENT POWERS PROVIDED UNDER §§ 2-113 THROUGH 2-116 OF THIS
6 ARTICLE TO ENFORCE THIS SUBTITLE.

7 (2) IN ADDITION TO THE COMMISSIONER, THE ATTORNEY GENERAL
8 OR THE STATE'S ATTORNEY FOR THE COUNTY IN WHICH A VIOLATION OCCURS MAY
9 ENFORCE THE REQUIREMENTS OF THIS SUBTITLE AND USE THE SAME
10 INVESTIGATIVE AND ENFORCEMENT POWERS APPLICABLE TO THE COMMISSIONER
11 UNDER §§ 2-113 THROUGH 2-116 OF THIS ARTICLE.

12 (B) A STUDENT FINANCING PRODUCT PROVIDED OR ACQUIRED BY A
13 STUDENT FINANCING COMPANY THAT IS OWED BY A RESIDENT OF THE STATE SHALL
14 BE VOID AND UNENFORCEABLE IF THE COMMISSIONER FINDS, AFTER NOTICE AND
15 A HEARING, THAT A STUDENT FINANCING COMPANY HAS KNOWINGLY VIOLATED
16 THIS SUBTITLE BY:

17 (1) FAILING TO COMPLY WITH ANY REGISTRATION OR REPORTING
18 REQUIREMENT; OR

19 (2) FURNISHING INACCURATE INFORMATION TO THE
20 COMMISSIONER.

21 (C) THE COMMISSIONER MAY ORDER A PERSON BARRED FROM ACTING AS
22 A STOCKHOLDER, AN OFFICER, A DIRECTOR, A PARTNER, AN OWNER, OR AN
23 EMPLOYEE OF A STUDENT FINANCING COMPANY FOR A TERM OF 10 YEARS OR LESS
24 IF THE PERSON HAS:

25 (1) BEEN FOUND TO HAVE KNOWINGLY VIOLATED ANY PROVISION OF
26 THIS SUBTITLE OR REGULATION ADOPTED UNDER THIS SUBTITLE; AND

27 (2) CAUSED FINANCIAL HARM TO A CONSUMER.

28 SECTION 2. AND BE IT FURTHER ENACTED, That, if any provision of this Act or
29 the application thereof to any person or circumstance is held invalid for any reason in a
30 court of competent jurisdiction, the invalidity does not affect other provisions or any other
31 application of this Act that can be given effect without the invalid provision or application,
32 and for this purpose the provisions of this Act are declared severable.

1 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 October 1, 2023.