



**MARYLAND COMMISSIONER OF
FINANCIAL REGULATION
INDUSTRY ADVISORY
REGULATORY NOTICE**



July 13, 2020

**SALE OF LOAN ACCOUNTS BY CONSUMER LOAN LICENSEES:
CLARIFICATION**

The Commissioner of Financial Regulation issued a new regulation that becomes effective July 16, 2020. The purpose of this regulation is to clarify a provision of Maryland law regarding the sale of loan accounts, particularly installment loan accounts, by a holder of a Maryland consumer loan license. This clarification is of particular importance to persons contemplating licensure in Maryland, to those currently holding consumer loan and installment loan licenses, and to those contemplating the purchase of certain Maryland loan accounts.

Md. Code Ann., Financial Institutions (“FI”) §11-219, states that a holder of a consumer loan license “may not sell a loan account to any person who is not licensed under this subtitle,” and that “[a] loan account that is acquired by a person who is not licensed under this subtitle is not enforceable.”

Consumer loan licensees may make installment loans (defined in FI §11-302(a)) in addition to loans subject to the Maryland Consumer Loan Law—Credit Provisions (Commercial Law §12-301 *et seq*). While it is clear that FI §11-219 was intended to prohibit a consumer loan licensee from selling a loan that is subject to the Maryland Consumer Loan Law to a person who does not hold a consumer loan license, questions have been raised regarding the ability of a consumer loan licensee to sell an installment loan to a person who does not hold a consumer loan license.

The new regulation, codified as Code of Maryland Regulations (COMAR) 09.03.10.04, clarifies the meaning of the term, “loan account,” as used in FI §12-219 by stating that the term refers to only those loans governed by the Maryland Consumer Loan Law, and that it does not refer to installment loans as defined in FI §11-302(a). Thus, a holder of a

consumer loan license may sell an installment loan to a person who does not hold a consumer loan license, and an installment loan purchased by a person who does not hold a consumer loan license remains enforceable.

The new regulation does not alter the statutory prohibition on the sale of a loan subject to the Maryland Consumer Loan Law to an unlicensed person, nor the provision that renders the loan unenforceable if sold to an unlicensed person.

This information should be considered by prospective license applicants and current licensees when determining which Maryland license(s) may be appropriate based on the nature of the person's business, and by persons considering the purchase of loan accounts from a Maryland consumer loan licensee.

The text of the regulation may be found [here](#).

If you have any questions, please contact Betty Yates, Assistant Director of Licensing, by telephone at 410-230-6150, or by e-mail at betty.yates@maryland.gov.

The Office of the Commissioner of Financial Regulation, a division of the Maryland Department of Labor, is Maryland's banking and financial services regulatory agency. For more information, please visit our website at labor.maryland.gov/finance.



Office of the Commissioner of Financial Regulation