

Clients & Friends Memo

Trusts Holding Loans Need Licensing, Says Maryland Office of Financial Regulation

January 23, 2025

On January 10, 2025, the Maryland Office of Financial Regulation issued emergency regulations revised to clarify that “passive trusts” holding residential mortgage loans must obtain a Mortgage Lender License and if the trusts hold installment loans (described below), then they may also need to obtain an Installment Lender License. The emergency regulations were issued on an emergency basis to [codify precedent established in case law](#) during the summer of 2024. Please see the below for a brief discussion of the loans and trusts that are affected by these regulations.

If the trust (whether it is a new trust or existing trust) holds residential mortgage loans (*i.e.*, loans securing “owner-occupied property having a dwelling on it designated principally as a residence with accommodations for not more than 4 families”), then that trust must obtain a Mortgage Lender license in Maryland.

In addition, if the trust (whether it is a new trust or existing trust) holds unsecured consumers loans or business-purpose loans made to individuals (*i.e.*, “installment loans”), then that trust may also need to obtain an Installment Lender license in Maryland. While the emergency regulations do not specifically call out the need for an Installment Lender license, reasonable interpretation of the language drives to the conclusion that passive trusts holding installment loans would also need to be licensed.

Please note that for purposes of this analysis, these conclusions apply regardless of whether the loans in question are open-end or closed-end loans.

For lenders that originate business-purpose loans to individuals, please reach out to us for further information on potential licensing requirements for passive trusts holding such loans.

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If you have any questions, please feel free to contact any of the following Cadwalader attorneys.

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