



House Bill 1310

Recordation Tax – Home Equity Loan Modification - Exemption

MACo Position: **OPPOSE**

To: Ways and Means Committee

Date: March 6, 2014

From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** House Bill 1310. This bill would allow a supplemental home equity loan to be exempt from the recordation tax unless actual consideration is payable on the supplemental home equity loan or the amount of the previously-secured debt is increased.

MACo believes that HB 1310 was introduced to address a specific situation involving a homeowner. However, it is unclear whether this bill would actually rectify what occurred.

Counties believe that existing law adequately protects homeowners in circumstances where a home equity loan must be modified and/or reduced. In these circumstances, a bank can either internally cap the allowable amount that can be drawn, or modify the existing home equity loan to reduce the amount secured. In either case, this type of change should be exempt from the recordation tax.

In the specific case to which this bill was meant to apply, it seems that instead of modifying or capping the home equity loan, the homeowner was required to execute a completely separate home equity loan. HB 1310 would not address this situation because the bill defines a supplemental home equity loan as a home equity loan that modifies a previously recorded home equity loan, not a newly executed home equity loan.

MACo agrees that while HB 1310 does not address the homeowner's circumstances specifically, this situation does need to be rectified. MACo would respectfully request that it be given the opportunity to work with the Committee to resolve this matter in the most appropriate manner. Towards that end, MACo asks that the Committee issue an **UNFAVORABLE** report on HB 1310.