



**COMMISSIONER OF FINANCIAL
REGULATION**

ADVISORY NOTICE

REGULATORY ALERT



October 23, 2017

**CLARIFICATION REGARDING USE OF WAREHOUSE LINE OF CREDIT TO SATISFY THE
MORTGAGE LENDER NET WORTH REQUIREMENT**

The Commissioner of Financial Regulation has received questions from mortgage lender applicants and licensees regarding the use of warehouse lines of credit to satisfy the minimum net worth requirement.¹ The purpose of this advisory is to clarify that warehouse lines of credit are not eligible to be used toward satisfying the minimum net worth requirement.

Pursuant to FI §11-508.1(b)(1), an applicant or licensee may satisfy the net worth requirement with cash on deposit with a bank or depository institution, a line of credit from a bank or depository institution, other assets, or a combination of cash, line of credit, or other assets. Pursuant to FI §11-508.1(b)(3), if a line of credit is used toward satisfying the minimum net worth requirement, the line may not be used to satisfy more than 75% of the minimum net worth requirement.

The purpose of the minimum net worth requirement is to, in-part, fulfill the license qualification of sufficient financial responsibility, i.e., ability to fulfill financial obligations.² Because a warehouse line of credit may be used only for funding loans, a mortgage lender may not draw on the warehouse line of credit for any other purpose, including operating expenses, i.e., fulfillment of financial obligations.

Accordingly, a warehouse line of credit does not fulfill the qualification of sufficient financial responsibility, and therefore is not eligible to be used toward satisfying the minimum net worth requirement.

Questions may be sent to Arlene Williams, Acting Director of Mortgage Licensing, Office of the Commissioner of Financial Regulation at 410-230-6068 or by email to arlenef.williams@maryland.gov.

¹ Md. Code Ann., Fin. Inst. §11-508.1(b)(ii) (2012).

² Md. Code Ann., Fin. Inst. §11-506 (2011).