

STATE OF MARYLAND  
OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION  
DEPARTMENT OF LABOR, LICENSING AND REGULATION  
500 N. CALVERT STREET  
BALTIMORE, MARYLAND 21202

ANNUAL REPORT  
FOR FISCAL YEAR ENDING  
JUNE 30, 2010



Presented to:

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OFFICE OF STATE BANK COMMISSIONER established 1910  
OFFICE OF COMMISSIONER OF CONSUMER CREDIT established 1941  
Reorganized as OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION 1996

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## HIGHLIGHTS OF THE AGENCY – FISCAL YEAR 2010

- DLLR’s Office of the Commissioner of Financial Regulation (“the Commissioner” or “the Office”) played a central role in combatting the financial and foreclosure crises at all levels.
- With the passage of the Federal SAFE Mortgage Licensing Act and complimentary state legislation in 2009, the Office implemented its transition to the Nationwide Mortgage Licensing System (“NMLS”). NMLS is a web-based licensing system and database utilized by all 50 states. While license approvals are done at the state level, mortgage originators nationwide are issued single NMLS license numbers and online files which are maintained in the centralized NMLS database and accessible by consumers and businesses alike. All Maryland originators and lenders transitioned by December 2010.
- The Commissioner also conducted extensive outreach. Pursuant to the 2008 foreclosure reforms, the Office receives copies of Notices of Intent to Foreclose sent to delinquent Maryland borrowers. Based on the information provided, the Office has delivered more than 287,000 outreach packages containing foreclosure prevention information and warnings regarding scams since May 2008. At the same time, the Office promulgated key regulations essential to implementing the 2010 mediation legislation.
- The Office continued its efforts to aid consumers who have been harmed, recovering almost \$2.5 million for Marylanders in fiscal 2010. These recoveries were the result of the Office conducting compliance examinations and investigations which uncovered improprieties, and responding to consumer complaints including providing assistance to consumers having difficulties in obtaining loan modifications.
- Of particular note, the Office was one of the first in the nation to recognize and move to address the growing foreclosure-related problem of “loan modification consulting” scams. In these cases, consumers are charged illegal up-front fees in exchange for the promise of assistance in obtaining a loan modification. Following advisories to consumers and the mortgage industry in August 2008 and January 2009, the Enforcement Unit undertook more than 165 investigations of loan modification scams. Through the end of fiscal year 2010, this effort yielded 32 cease and desist orders and 7 consent orders/agreements and approximately \$152,000 in refunds paid to consumers.
- The Office also referred the results of its investigations to state and federal law enforcement authorities where appropriate. These efforts culminated a criminal indictment obtained the Prince George’s County State’s Attorney in November 2010 for a loan modification scam that victimized hundreds of Maryland consumers based on such a referral. This indictment is the first of its kind in Maryland.
- At the same time, the Office of the Commissioner collected fines for the state’s general fund of over \$1.6 million, an increase from \$1.1 million in fiscal 2009. In its largest case of the year, the Office of the Commissioner launched an investigation into the practices of collections agencies which purchase delinquent debt and then file collections lawsuits against Maryland borrowers. This investigation resulted in charges against one of the largest collections agencies in the country which had filed more than 30,000 actions since 2001. To settle the matter, the collections agency agreed to revise its litigation practices, among other things, and paid a \$998,000 fine. Following this investigation, the agency’s principal law firm based in Rockville, Maryland had its collection license suspended by the Commissioner and thereafter collapsed. This resulted in the dismissal of over 30,000 collection actions filed in District Court by the company across the State.

## LEGISLATIVE HIGHLIGHTS SUMMARY

*Christopher Young, Assistant Attorney General, Counsel to the Commissioner*

### **HB 79 – Credit Services Businesses – Limitation on Fees**

This bill limits the total fees that may be collected in connection with an extension of credit. In particular, the bill prohibits a credit services business from charging any fees, interest, or any other form of value that, when combined with the interest charged on the loan itself, would exceed the permissible interest rate. Effective Date -- October 1, 2010.

### **HB 402 – Collection Agencies – Application and Renewal Fees**

This bill requires the State Collection Agency Licensing Board to establish fees for new and renewed licenses for collection agencies, which are not to exceed \$900 for a 2-year term. The bill also authorizes a new fee for the investigation of applicants for new licenses. The bill provides that the established fees must reasonably cover the direct and indirect costs of regulating collection agencies and that the fees must be published by the Board. Effective Date - - October 1, 2010.

### **HB 472 – Foreclosure Mediation**

This bill includes new consumer protections relating to the foreclosure of residential owner-occupied properties. Most significantly, it provides such borrowers the opportunity to request and participate in foreclosure mediation. The bill enhances the required notice of intent to foreclose which must be sent to the borrower at least 45 days prior to the docketing of a foreclosure action. This notice must contain a statement recommending that the borrower seek housing counseling services, an explanation of the borrower's rights and the foreclosure timeline, and an application for a loss mitigation program. If the lender determines that the borrower does not qualify for a loan modification or other form of relief, the borrower can file a request for foreclosure mediation. This includes a meeting between the borrower and the lender (or their representatives) with a neutral third party (the Office of Administrative Hearings) to discuss the loan and possible options to avoid foreclosure. The bill also creates the Housing Counseling and Foreclosure Mediation Fund, which supports nonprofit and government housing counselors with providing legal assistance to homeowners and occupants who want to try to avoid foreclosure, obtain housing advice or home-buying education. Effective Date -- July 1, 2010.

### **HB 711/SB 654—Tenants in Foreclosure**

This bill generally conforms Maryland law regarding tenants residing in foreclosed real property to federal law and clarifies the rights of such tenants. Of significance, it provides that a tenant under a 'bona fide' lease has the right to occupy the property until the end of the lease, with the exception of where the purchaser intends to occupy the property as a permanent residence. In such a circumstance, the purchaser may require the tenant to vacate in ninety days and terminate the lease. Effective Date -- June 1, 2010.

### **HB 799/SB 878 – Reverse Mortgage Homeowners Prevention Act**

This bill enacts several protections for consumers relating to reverse mortgages. It relates both to reverse mortgage loans made under the federal Home Equity Conversion Mortgage (“HECM”) and other reverse mortgages typically referred to as “proprietary” reverse mortgage loans. The bill provides that all reverse mortgages must conform to certain federal regulations now only applicable to HECM loans. It prohibits lenders from requiring borrowers to purchase an annuity, long term care policy, or other financial or insurance product as a condition to obtaining the reverse mortgage. The bill also prohibits lenders from referring the borrower to any person for the purchase of an annuity or any other financial or insurance product before the closing of the reverse mortgage or the expiration of the borrower’s right to rescind the contract, whichever is later. Upon receiving an application for a reverse mortgage loan, the lender must provide the prospective borrower with a written checklist advising the borrower to discuss several issues with a counseling agency. Effective Date -- October 1, 2010.

### **HB 990/SB 886—Savings Promotions Raffles**

This bill permits credit unions and state-chartered banks to offer raffles to promote savings in deposit accounts—provided, however, that this law does not become effective until such time as federal law is amended to permit banks to engage in such promotional programs. Current federal law prohibits banks from offering such promotions. Effective Date -- October 1, 2010, (but actual effectiveness dependant on future federal action)

### **HB 1076/SB 898 – Installment Loans Secured by Motor Vehicle Lien – Balloon Payments**

This bill authorizes a credit grantor to require a balloon payment if the installment loan in question exceeds \$30,000 and is secured by a lien on a motor vehicle. Effective Date -- October 1, 2010.

### **HB 1136 – Supervision and Reorganization of Financial Institutions**

This bill requires a non-depository trust company (a trust company that is not insured by the FDIC) to post a surety bond or pledge securities to the Commissioner to help defray the costs of receivership in the event a non-depository trust company fails. The amount of securities pledged or bond posted is determined by the company’s rating as determined by the Uniform Interagency Trust Rating System. The company must pledge or post a maximum of \$1 million if it has a rating of 1 or 2; it must pledge or post a maximum of \$3 million if it has a rating of 3, 4, or 5. The bill also establishes certain guidelines and requirements for declaring a non-depository trust company insolvent, authorizing the Commissioner to take immediate possession of a company in the event of insolvency. The bill further establishes more streamline procedures for the conversion of a federal savings bank to a Maryland-chartered savings bank. Effective Date -- October 1, 2010.

### **HB 1152 – Commissioner of Financial Regulation – Criminal Background Checks**

This bill requires the Commissioner to request a criminal background check on prospective employees and allows the Commissioner to request the same for current employees. The bill provides that the information from this background check is to be kept confidential, that it will not be disseminated, and that it may only be used for authorized purposes. If a subject of a background check has been convicted of a crime, the Commissioner must consider several relevant factors, including: (1) the nature of the crime, (2) the relevance of the crime to the individual’s employment and responsibilities, (3) the length of time since conviction, and (4) the

individual's behavior and activities since conviction. Effective Date -- October 1, 2010.

### **HB 1206 – Refund Anticipation Loans and Checks**

This bill establishes certain protections for consumers related to refund anticipation loans and refund anticipation checks. It requires facilitators to prominently display at each place of business their fee schedule for various amounts of money. It also requires facilitators to make certain oral and written disclosures to consumers. In the case of refund anticipation loans, the facilitator must disclose the fee for the loan, the annual percentage rate payable on it, and time within which the money from the loan will be paid to the consumer. The facilitator must also include a notice which informs the consumer of many things, including: that this service is a loan against their tax refund, that they will be liable for the full amount of the loan regardless of the ultimate size of their refund, that they can obtain their tax refund in one to two weeks without taking out a loan or paying any fees, and that their return can be deposited directly into their bank account. In the case of a refund anticipation check, the facilitator must disclose the fee for the check and the time within which the consumer will receive their funds. The facilitator must also include a notice which informs the consumer that they can receive their tax refund, without paying a fee, by waiting for their refund from the IRS. The bill also prohibits a facilitator from requiring a consumer to enter a loan in order to complete a tax return and from charging any fee other than those disclosed by the fee schedule and related to the refund anticipation loan or check. Effective Date -- October 1, 2010.

### **HB 1254/SB 943 – Mortgage Brokers – Charges**

This bill authorizes a mortgage broker to charge a borrower, in addition to a finder's fee, the actual cost of any appraisal, credit report, condominium document, or subordination agreement document which was obtained by the broker at the written request of the borrower. It also authorizes the mortgage broker to charge the borrower for the actual cost of any good or service, as specified in regulations by the Commissioner, that is required to complete the loan application process and which was paid for by the broker at the written request of the borrower. The Commissioner has not adopted any regulations relating to this new law. Effective Date -- October 1, 2010.

### **SB 523 – Credit Card Blacklisting Prevention Act**

This bill prohibits the inclusion or enforcement of a provision in a consumer credit contract that triggers a default based on a "prohibited risk factor" without the consumer's prior written consent. A "prohibited risk factor" is the identity of a person from whom the consumer obtains consumer credit, goods, or services, or a person who makes or holds a mortgage loan on the consumer's home. The bill also prohibits a person from including a provision in a consumer credit contract which would authorize that person to use a prohibited risk factor to accelerate a payment, increase the applicable interest rate, reduce the credit limit, or alter a term of the contract. Effective Date -- October 1, 2010.

### **SB 787 – Mortgage Lenders – Net Worth Requirements**

This bill allows a mortgage lender to prove that its net worth satisfies the applicable requirements through generally accepted accounting principles or any other recognized comprehensive basis of accounting which is approved by the Commissioner. Effective Date -- October 1, 2010.

## DEPOSITORY SUPERVISION

### Banks, Trust Companies and Credit Unions Annual Overview

*Teresa M. Louro, Assistant Commissioner for Bank Supervision*

The Commissioner's Office regulates and supervises forty seven Maryland state-chartered banks, nine Maryland-chartered credit unions, six non-depository trust companies, Anne Arundel Economic Development Corporation, and American Share Insurance Corporation ("ASI") of Dublin, Ohio, for a total of 64 institutions.

#### **Banks**

While the banking industry in Maryland confronted another challenging year, the state chartered-institutions remain sound and collectively returned to profitability in the year ended June 30, 2010. A continued soft real estate market, challenging credit environment and economic recession has led to overall higher non-performing assets and delinquencies. Maryland's forty seven state-chartered banks have remained conservative, enhanced risk management practices, and increased loan workout to manage troubled portfolios.

In fiscal year 2010, total assets of Maryland's state-chartered banks increased by \$1.4 billion, to a total of \$23.2 billion. The increase was driven by organic growth, as well as the conversion of Sykesville Federal Savings Association (now Carroll Community Bank) and The Centreville National Bank (now CNB) from a thrift and national bank charter, respectively, to Maryland charters.

The importance of capital has been a focal point nationally and at the state level, which will likely continue for the next few years. Overall, capital levels have improved with an aggregate total risk-based capital ratio of 12.79%, a 36 basis points increase from the previous year. Tier 1 risk-based capital has also increased to 11.31%, while tier 1 leverage decreased to 8.72% as a result of growth outpacing equity formation. The increase in capital is partly attributed to 12 banks receiving Troubled Assets Relief Program – Capital Purchase Program ("TARP-CPP") funds from the U.S. Department of the Treasury in 2008 and 2009. More recently, several banks have been successful in third party capital, some of which was used to repay TARP-CPP funds. At the same time, several other institutions are in the process of attempting to raise equity and improve their financial condition.

Maryland state-chartered banks continue to feel the impact of the weakened real estate market as the levels of noncurrent loans and other non-performing assets increased, primarily concentrated in commercial real estate and acquisition, development and construction loans. Noncurrent loans to total loans increased to 4.17% from 3.61% previously, while non-performing assets increased to 3.58% from 3.14% at the end of fiscal year 2009.

Net charge-offs to loans rose to 1.02% from 0.91% one-year ago. Consequently, bank's reserved more against problem assets, with loan loss reserves equal to 2.02% of total loans, an increase of 34 basis points since the previous year.

Earnings performance improved significantly since the previous year from net income of (\$9 million), representing a return on assets ("ROA") of (0.09%) to \$21.7 million, with a corresponding ROA of 0.19%. The net interest margin improved as well from 3.43% at fiscal year-end 2009 to 3.64%. The gain in earnings is attributed to substantially lower cost of funds and higher non-interest income.

The Commissioner's Office examines state-chartered banks to assess asset quality, capital adequacy, earnings performance, liquidity and funds management, sensitivity to market risk, and management. We continue to work closely with our federal counterparts on joint examinations and on on-site targeted visitations. Monitoring continues off-site with our quarterly monitoring program. Regulatory supervision has also

increased with more frequent examinations, on-site visitations, weekly or bi-weekly teleconference calls, and review of quarterly progress reports to further monitor financial conditions of our troubled institutions.

### **Credit Unions**

The Commissioner's Office regulates and supervises nine Maryland state-chartered credit unions and ASI. Of the nine, six credit unions are federally insured through the National Credit Union Share Insurance Fund, and the remaining three are privately insured by ASI. An annual on-site examination, supplemented by a quarterly monitoring program is conducted for each credit union. Targeted visitations are also performed, as deemed necessary.

The credit union industry remains sound; however, the effect on the financial industry from the current economic environment continues to have a negative impact on credit union trends. Delinquency and net charge-offs continue to increase, especially in the real estate sector, indicating continued elevated concerns in the credit quality of loan portfolios. Delinquency increased from 1.05% as of June 30, 2009 to 1.45% as of June 30, 2010 and charge-offs increased from 0.70% to 1.15% during the same time period. The credit quality of loans remains an ongoing concern due to the soft real estate market and economic recession.

Overall, loan growth has been slow. Management seeks to meet the challenges arising from economic hardships caused by increased unemployment and record foreclosures, an unprecedented event, not to mention strong competition for quality loans. And, Boards of Directors strive to balance credit quality with member service.

Maryland state-chartered credit unions' assets under supervision grew approximately \$240 million to \$4.1 billion. Net worth represents 10.33% of total assets. While the net interest margins remain typically low, credit unions, as a group, continue to operate profitably, reflected in an annualized ROA of 0.51%.

### **Trust Companies**

Maryland state-chartered non-depository trust companies have also felt the impact of the downturn in the equities and real estate markets. However, the rapid recovery in the public stock and bond markets, combined with additional asset gathering resulted in a significant rebound in performance in 2010. Assets under management grew from \$165 billion in 2009 to \$194 billion in fiscal 2010. The state's trust companies continue to monitor volatility and economic conditions in the United States and global stock markets.



**Consolidated Statement of Financial Condition**  
**State Chartered Banks**  
**As of June 30, 2010**  
*(in thousands)*

**ASSETS**

Cash & Balances Due From Depository Institutions:	
Non-Interest Bearing & Currency and Coin	\$1,519,679
Interest Bearing Balances	\$1,148,205
Securities	\$3,372,087
Federal Funds Sold and Securities Purchased Under Agreements to Sell	\$506,478
Loans and Leases, Net of Unearned Income	\$16,168,963
(Allowance for Loan and Lease Losses)	\$334,317
Trading Assets	\$0
Premises and Fixed Assets (including capitalized leases)	\$343,598
Other Real Estate Owned	\$135,583
Intangible Assets	\$265,725
Other Assets	\$911,567
<b><i>Total Assets</i></b>	<b>\$23,223,680</b>

**LIABILITIES**

Deposits:	
In Domestic Offices	\$18,710,253
In Foreign Offices	\$0
Federal Funds Purchased & Securities Sold Under Repurchase Agreements	\$428,645
Trading Liabilities	\$0
Other Borrowed Money	\$1,629,578
Other Liabilities	\$150,506
<b><i>Total Liabilities</i></b>	<b>\$20,966,582</b>

**EQUITY CAPITAL**

Perpetual Preferred Stock	\$6,515
Common Stock	\$219,380
Surplus	\$1,427,688
Undivided Profits and Capital Reserves	\$603,513
<b><i>Total Equity Capital</i></b>	<b>\$2,257,096</b>
<b><i>Total Liabilities and Equity</i></b>	<b>\$23,223,680</b>

**Ratios from Consolidated Statement of Financial Condition  
All State-Chartered Banks  
For Fiscal Years 2008 — 2010**

<b>Period Ending June 30:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Return on Assets	<b>0.19%</b>	(0.09%)	0.47%
Net Interest Margin	<b>3.64%</b>	3.43%	3.71%
Total Loans to Total Deposits	<b>86.42%</b>	92.15%	99.15%
Total Loans to Core Deposits	<b>112.97%</b>	116.95%	118.96%
Total Loans to Total Assets	<b>69.62%</b>	72.46%	73.61%
ALLL to Total Loans	<b>2.03%</b>	1.68%	1.16%
Noncurrent Loans to Total Loans	<b>4.17%</b>	3.61%	1.61%
Tier 1 Leverage Capital	<b>8.72%</b>	9.01%	8.71%
Tier 1 Risk-Based Capital	<b>11.31%</b>	11.01%	10.43%
Total Risk-Based Capital	<b>12.79%</b>	12.43%	12.15%

**Prior Period End Totals (Adjusted)  
For Fiscal Years Ending June 30  
(in thousands)**

<b>Year</b>	<b>Total Assets</b>	<b>Total Loans</b>	<b>Securities</b>	<b>Total Deposits</b>	<b>Total Capital</b>
2010	\$23,223,680	\$16,168,963	\$3,372,087	\$18,710,253	\$2,257,096
2009	\$21,792,246	\$16,059,416	\$3,200,633	\$17,135,262	\$2,113,330
2008	\$29,381,521	\$21,881,597	\$4,415,664	\$21,813,397	\$2,728,926
2007	\$42,139,079	\$29,403,517	\$7,216,069	\$30,421,947	\$4,469,387
2006	\$39,619,518	\$27,115,636	\$7,627,391	\$29,262,128	\$4,147,295
2005	\$37,159,487	\$25,497,448	\$7,660,557	\$27,542,622	\$3,711,691

**Trust Assets Reported by State-Chartered Trust Companies**  
**Fiscal Year Ending June 30, 2010**  
*(in thousands)*

<b>Full Service Trust Companies</b>	<b>Managed</b>	<b>Non-Managed</b>	<b>Custodial</b>	<b>Total</b>
First United Bank & Trust	\$449,679	\$62,370	\$2,515	\$514,564
Sandy Spring Bank	\$444,105	\$57,586	\$61,394	\$563,085
<b>Total Assets – Full Service</b>	<b>\$893,784</b>	<b>\$119,956</b>	<b>\$63,909</b>	<b>\$1,077,649</b>

<b>Non-Depository Trust Companies</b>	<b>Managed</b>	<b>Non-Managed</b>	<b>Custodial</b>	<b>Total</b>
Brown Investment Advisory and Trust Co.	\$4,795,864	\$36,009	\$602,503	<b>\$5,434,376</b>
Chevy Chase Trust Company	\$2,658,723	\$5,841,743	\$2,479,203	<b>\$10,979,669</b>
NewTower Trust Company	\$7,871,664	\$0	\$0	<b>\$7,871,664</b>
Old Mutual Asset Management Trust Co.	\$24,569,704	\$343,879	\$0	<b>\$24,913,583</b>
Securities Finance Trust Company	\$12,889,543	\$19,823	\$0	<b>\$12,909,366</b>
T. Rowe Price Trust Company	\$20,579,071	\$111,618,220	\$0	<b>\$132,197,291</b>
<b>Total Assets – Non-Depository</b>	<b>\$73,364,569</b>	<b>\$117,859,674</b>	<b>\$3,081,706</b>	<b>\$194,305,949</b>

<b>Grand Total – Assets Full Service and Non-Depository</b>	<b>\$74,258,353</b>	<b>\$117,979,630</b>	<b>\$3,145,615</b>	<b>\$195,383,598</b>
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**State Chartered Credit Unions**  
**Consolidated Statement of Financial Condition**  
*(in thousands)*

<b>Comparative Figures for Year Ending:</b>	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>% Change</b>
<b>ASSETS</b>			
Cash	\$167,603	\$159,917	4.8%
Investments	\$1,349,717	\$1,137,629	18.6%
Loans & Leases	\$2,452,504	\$2,420,744	1.3%
Allowance for Loans & Leases (ALLL)	(\$34,703)	(\$28,764)	20.6%
Premises and Fixed Assets	\$61,053	\$63,221	-3.4%
Other Assets	\$111,712	\$115,227	-3.1%
<b>Total Assets</b>	<b>\$4,107,886</b>	<b>\$3,867,974</b>	<b>6.2%</b>
<b>LIABILITIES</b>			
Members' Shares & Deposits	\$3,551,370	\$3,356,352	5.8%
Borrowings	\$85,170	\$59,927	42.1%
Other Liabilities	\$46,852	\$36,429	28.6%
<b>Total Liabilities</b>	<b>\$3,683,392</b>	<b>\$3,452,708</b>	<b>6.7%</b>
<b>EQUITY / NET WORTH</b>	<b>\$424,494</b>	<b>\$415,266</b>	<b>2.2%</b>
<b>Total Liabilities and Equity</b>	<b>\$4,107,886</b>	<b>\$3,867,974</b>	<b>6.2%</b>

<b>Additional Information – As of June 30</b>	<b>2010</b>	<b>2009</b>
Net Worth to Total Assets	10.33%	10.74%
Net Worth to Members' Shares & Deposits	11.95%	12.37%
Total Loans to Total Assets	59.70%	62.58%
Total Loans to Members' Shares & Deposits	69.06%	72.12%
ALLL to Total Loans	1.42%	1.19%
Return on Assets (annualized)	0.51%	1.00%

## Consolidated Statement of Condition of State-Chartered Credit Unions

As of June 30, 2010  
(in thousands)

	Total Assets	Total Loans	Shares & Deposits	Total Capital
<b>ASI Private Share Insurance</b>				
Fort Meade Community Credit Union	\$30,729	\$11,238	\$27,856	\$2,639
Post Office Credit Union of Maryland, Inc.	\$33,663	\$3,153	\$24,643	\$8,982
U.S. Coast Guard Community Credit Union	\$34,344	\$16,934	\$31,429	\$2,828
<b>Federal Share Insurance</b>				
Central Credit Union of Maryland, Inc.	\$19,955	\$12,610	\$17,007	\$2,884
Destinations Credit Union	\$47,897	\$29,025	\$39,856	\$7,667
Members First Credit Union	\$33,458	\$9,590	\$28,818	\$4,573
Municipal Employees Credit Union	\$1,105,863	\$625,521	\$889,814	\$116,662
Point Breeze Credit Union	\$698,013	\$268,595	\$613,573	\$76,275
State Employees Credit Union of MD	\$2,103,964	\$1,475,838	\$1,878,374	\$201,984
<b>TOTAL FOR ALL STATE CHARTERED CREDIT UNIONS</b>	<b>\$4,107,886</b>	<b>\$2,452,504</b>	<b>\$3,551,370</b>	<b>\$424,494</b>

### Prior Period End Totals As of June 30 (in thousands)

Year	Total Assets	Total Loans	Shares & Deposits	Total Capital
<b>2009</b>	\$3,867,974	\$2,420,744	\$3,356,352	\$415,266
<b>2008</b>	\$3,512,890	\$2,362,006	\$3,043,152	\$419,221
<b>2007</b>	\$3,302,841	\$2,245,600	\$2,837,274	\$403,824
<b>2006</b>	\$3,112,221	\$2,063,541	\$2,659,307	\$371,057
<b>2005</b>	\$2,996,701	\$1,813,530	\$2,639,925	\$338,253
<b>2004</b>	\$2,964,498	\$1,640,845	\$2,648,385	\$299,229
<b>2003</b>	\$2,860,709	\$1,510,146	\$2,566,593	\$275,840

## DEPOSITORY CORPORATE ACTIVITIES

### Corporate Applications Annual Overview

*Marcia A. Ryan, Assistant Commissioner*

The Commissioner's Office began the fiscal year with regulatory responsibility for forty-nine State-chartered banks, with combined assets of \$21.8 billion and a total of 457 branches. By the end of fiscal year 2010, the total number of Maryland chartered banks had decreased to forty-eight, yet total assets had increased by 7% from the prior fiscal year. As of June 30, 2010, Maryland banks had combined assets of \$23.2 billion, operated a total of 409 branches, and employed more than 5,419 individuals.

The Commissioner's Office also has regulatory responsibility for six Maryland-chartered non-depository trust companies, with more than \$184 billion in trust assets; nine State-chartered credit unions, with combined assets of more than \$4.1 billion (a 5% increase since the beginning of the fiscal year); and one SBA guaranteed lending corporation.

Applications were received throughout the year from banks, trust companies, and credit unions seeking approval to implement various corporate changes to their organizations and/or to expand their business activities. However, as a result of the persistent and difficult economic conditions facing the financial industry, the level of application activity continued to be below normal. Just as was seen during the prior year, though, many of the applications submitted involved more complex and unusual issues and challenges than typically seen. We expect to see this trend continue throughout fiscal year 2011.

During the past year, applications handled by the Corporate Activities group included: four bank conversions; one new interim bank charter; six mergers and acquisitions; seven bank affiliates; and six new branches. We also approved 12 representative office permits to out-of-state banking corporations, and acted on a wide range of other corporate applications.

During fiscal year 2010, we were very pleased to welcome two additional banks into Maryland's state banking system. In late 2009, CNB, which has been operating in Centreville, Maryland since 1876, successfully converted its charter from a national bank to a Maryland-chartered commercial bank. Carroll Community Bank, which was originally chartered in 1887 and is located in Sykesville, Maryland, converted from a federal mutual savings association to a Maryland-chartered mutual savings bank in June 2010. We look forward to a long and successful working relationship with each of these institutions.

As we move into fiscal year 2011, we will continue to work with two additional banks that have filed applications for possible charter conversions. Furthermore, we have had a number of discussions with bankers from federally-chartered mutual thrifts who have expressed interest in converting their institutions to Maryland-chartered mutual savings banks, and then subsequently converting them to Maryland-chartered commercial banks. We expect to receive the first such application in early 2011.

**BANKS, CREDIT UNIONS and TRUST COMPANIES**  
**Activity on Selected Applications**  
**July 1, 2009 through June 30, 2010**

**NEW CHARTERS**

<b>Institution /Type of Conversion</b>	<b>Location of Main Office</b>	<b>Approval Date</b>
<i>CARROLL COMMUNITY BANK</i> Mutual Savings Bank	Sykesville, MD	06/22/10

**CONVERSIONS to STATE BANK CHARTERS**

<b>Institution /Type of Conversion</b>	<b>Location</b>	<b>Former Name</b>	<b>Approval Date</b>
<i>CNB</i>  Converted from a national bank to a State-chartered commercial bank	Centreville, MD 12/14/09	Centreville National Bank	
<i>CARROLL COMMUNITY BANK</i> Converted from a federal mutual thrift to a State-chartered mutual savings bank	Sykesville, MD	Sykesville Federal Savings Association	06/23/10
<i>MADISON BANK of MARYLAND</i> Request to convert from a federal mutual thrift to a State-chartered mutual savings bank	Forest Hill, MD	Madison Bank of Maryland	Pending
<i>NATIONAL BANK OF CAMBRIDGE</i>  Request to convert from a national bank to a State-chartered commercial bank	Cambridge, MD Pending	National Bank of Cambridge	

**MERGERS and ACQUISITIONS**

<b>Surviving Institution Principal Location</b>	<b>Merged/Acquired Institution Principal Location</b>	<b>Approval Date</b>
<i>COLUMBIA BANK</i> Columbia, MD	Peoples Bank of Elkton Elkton, MD	07/02/09
<i>COLUMBIA BANK</i> Columbia, MD	Hagerstown Trust Company Hagerstown, MD	07/02/09
<i>CAPITAL FUNDING BANCORP, INC.</i> Baltimore, MD	AmericasBank Corp Towson, MD	08/11/09
<i>CAPITAL FUNDING BANCORP, INC.</i>	AmericasBank	08/11/09

Baltimore, MD	Towson, MD	
<i>CARROLL COMMUNITY BANK</i> Sykesville, MD	Sykesville Federal Savings Association Sykesville, MD	06/23/10
<i>CNB</i> Centreville, MD	Felton Bank Felton, DE	Pending

## **AFFILIATES**

<b>Parent Co. Principal Location</b>	<b>Affiliate</b>	<b>Approval Date</b>
<i>CAPITAL FUNDING BANCORP, INC/ AMERICASBANK</i> Baltimore, MD	Capital Funding LLC	08/11/09
<i>CAPITAL FUNDING BANCORP, INC/ AMERICASBANK</i> Baltimore, MD	Capital Funding HUD, LLC	08/11/09
<i>FIRST UNITED BANK &amp; TRUST</i> Oakland, MD	Liberty Mews Limited Partnership	11/13/09
<i>CECIL BANK</i> Elkton, MD	3106 Emmorton Road LLC	12/30/09
<i>FIRST UNITED BANK &amp; TRUST</i> Oakland, MD	First OREO Trust	06/21/10
<i>FIRST UNITED BANK &amp; TRUST</i> Oakland, MD	Cumberland Liquidation Trust	06/30/10

## **MISCELLANEOUS**

<b>Institution Name</b>	<b>Application Filed</b>	<b>Approval Date</b>
<i>CHEVY CHASE TRUST COMPANY</i>	Wild Card application to exempt Trust Company from required closing on certain holidays	09/22/09
<i>AMERICASBANK</i>	Articles of Amendment to change Bank's legal name to CFG Community Bank	11/12/09
<i>CFG COMMUNITY BANK</i>	Request to use temporary trade name AmericasBank	11/12/09
<i>FIRST UNITED BANK &amp; TRUST</i>	Wild Card application for approval to invest in Liberty Mews Limited Partnership, a community development entity in Garrett County Maryland	11/13/09
<i>FARMERS BANK OF WILLARDS</i>	Request to reduce par value of Bank's capital stock	12/09/09



<i>CHEVY CHASE TRUST COMPANY</i>	Articles of Amendment and Restatement to Authorize issuance of Class B Stock	03/17/10
<i>CECIL BANK</i>	Articles of Amendment for the Fourth Article of the Bank's Articles of Incorporation	03/23/10
<i>POINT BREEZE CREDIT UNION</i>	Request to be Designated as a Treasury Tax Loan Depository	04/30/10

**BRANCH OPENINGS & CLOSINGS -- STATE BANKS**

<b>Institution Name</b>	<b>Main Office</b>	<b>Opened</b>	<b>Closed</b>
<i>EAGLEBANK</i>	Bethesda, MD	0	2
<i>EASTON BANK &amp; TRUST</i>	Easton, MD	0	1
<i>FIRST MARINER BANK</i>	Baltimore, MD	0	3
<i>HARFORD BANK</i>	Aberdeen, MD	1	0
<i>HEBRON SAVINGS BANK</i>	Hebron, MD	1	0
<i>HOWARD BANK</i>	Ellicott, MD	1	0
<i>MONUMENT BANK</i>	Bethesda, MD	1	0
<i>PATAPSCO BANK, THE</i>	Baltimore, MD	0	1
<i>QUEENSTOWN BANK OF MARYLAND</i>	Queenstown, MD	1	0
<i>SANDY SPRING BANK</i>	Olney, MD	1	0

**Total Branches Approved = 6**  
**Total Branches Closed = 7**

**STATE-CHARTERED  
COMMERCIAL BANKS and SAVINGS BANKS**

**As of June 30, 2010**

<b>Bank Name</b>	<b>Principal Location</b>	<b>Total Assets (in thousands)</b>	<b>No. of Branches</b>	<b>CRA Rating</b>
Bank of Glen Burnie, The	Glen Burnie	\$353,481	8	Satisfactory
Bank of Ocean City	Ocean City	\$144,532	6	Satisfactory
Bank of the Eastern Shore	Cambridge	\$223,008	2	Satisfactory
BankAnnapolis	Annapolis	\$431,687	8	Satisfactory
Blue Ridge Bank	Frederick	\$102,004	1	Satisfactory
Calvin B. Taylor Banking Company	Berlin	\$400,166	10	Satisfactory
CFG Community Bank	Baltimore	\$397,819	3	Satisfactory
CNB	Centreville	\$341,461	9	Satisfactory
Carroll Community Bank	Sykesville	\$95,478	2	Outstanding
Carrollton Bank	Baltimore	\$403,622	10	Satisfactory
Cecil Bank	Elkton	\$504,047	11	Outstanding
Chesapeake Bank and Trust Company	Chestertown	\$95,546	2	Satisfactory
Columbia Bank, The	Columbia	\$2,179,837	42	Satisfactory
CommerceFirst Bank	Annapolis	\$210,707	5	Satisfactory
Community Bank of Tri-County	Waldorf	\$839,913	10	Satisfactory
Congressional Bank	Bethesda	\$202,986	4	Satisfactory
County First Bank	LaPlata	\$188,713	6	Satisfactory
Damascus Community Bank	Damascus	\$236,651	6	Satisfactory
EagleBank	Bethesda	\$1,902,123	13	Satisfactory
Easton Bank & Trust Company	Easton	\$161,599	6	Satisfactory
Farmers and Merchants Bank	Upperco	\$227,202	7	Satisfactory
Farmers Bank of Willards, The	Willards	\$346,113	8	Satisfactory
First Mariner Bank	Baltimore	\$1,348,512	23	Satisfactory
First United Bank and Trust	Oakland	\$1,768,423	27	Satisfactory
Frederick County Bank	Frederick	\$297,687	4	Satisfactory
Glen Burnie Mutual Savings Bank, The	Glen Burnie	\$69,838	1	Satisfactory
Harbor Bank of Maryland, The	Baltimore	\$300,558	7	Outstanding
Harford Bank	Aberdeen	\$269,763	7	Satisfactory
HarVest Bank of Maryland	Rockville	\$207,028	4	Satisfactory
Hebron Savings Bank	Hebron	\$456,482	10	Satisfactory
Howard Bank	Ellicott City	\$308,932	5	Satisfactory
K Bank	Randallstown	\$591,650	7	Satisfactory
Maryland Financial Bank	Towson	\$83,105	1	N/A
Middletown Valley Bank	Middletown	\$142,513	5	Satisfactory

Monument Bank	Bethesda	\$277,136	2	Satisfactory
NBRS Financial	Rising Sun	\$274,671	9	Satisfactory
New Windsor State Bank	Taneytown	\$239,826	6	Satisfactory
Old Line Bank	Bowie	\$400,059	13	Satisfactory
Patapsco Bank, The	Baltimore	\$269,877	5	Satisfactory
Peoples Bank, The	Chestertown	\$246,135	7	Outstanding
Provident State Bank, Inc.	Preston	\$255,737	9	Satisfactory
Queenstown Bank of Maryland, The	Queenstown	\$450,929	9	Satisfactory
Regal Bank and Trust	Owings Mills	\$184,360	4	Satisfactory
Revere Bank	Laurel	\$145,613	2	Satisfactory
Saint Casimirs Savings Bank	Baltimore	\$106,721	4	Needs to improve
Sandy Spring Bank	Olney	\$3,699,266	43	Satisfactory
Talbot Bank, The	Easton	\$684,140	7	Satisfactory
Woodsboro Bank	Woodsboro	\$213,088	9	Satisfactory

**Total Number of State Banks: 48**

**Total Branches: 409**

**Total Employees: 5,419**

**Total Assets: \$23,185,266**

## STATE-CHARTERED CREDIT UNIONS

As of June 30, 2010

Credit Union Name	Principal Location	Total Assets (in thousands)	Field of Membership Type
Central Credit Union of Maryland	Baltimore	\$19,955	Multiple Common Bond
Destinations Credit Union	Baltimore	\$47,897	Multiple Common Bond
Fort Meade Community Credit Union	Fort Meade	\$30,729	Community Common Bond
Members First Credit Union	Baltimore	\$33,458	Multiple Common Bond
Municipal Employees Credit Union	Baltimore	\$1,105,863	Multiple Common Bond
Point Breeze Credit Union	Hunt Valley	\$698,013	Multiple Common Bond
Post Office Credit Union of MD	Baltimore	\$33,663	Single Common Bond
State Employees Credit Union of MD	Linthicum	\$2,103,964	Multiple Common Bond
U.S. Coast Guard Community Credit Union	Baltimore	\$34,344	Community Common Bond

**Total Number of State Credit Union: 9**  
**Total Branches: 35**  
**Total Employees: 990**  
**Total Assets: \$4,107,886**

## STATE-CHARTERED NON-DEPOSITORY TRUST COMPANIES

As of June 30, 2010

Trust Company Name	Principal Location	Trust/Fiduciary Business Purpose
Brown Investment Advisory and Trust Co.	Baltimore	Investment Advisory Services
Chevy Chase Trust	Bethesda	Investment Management & Financial Planning
NewTower Trust Company	Bethesda	Trustee for Multi-Employer Property Trust
Old Mutual Asset Management Trust Company	Baltimore	Trust Administrative Services
Securities Finance Trust Company	Baltimore	Securities Lending
T. Rowe Price Trust Company	Baltimore	Investment Management

**National Banks, Federal Savings Banks and  
Other-State Banks  
Operating Branches in Maryland  
As of June 30, 2010**

<b>National Banks</b>	<b>Principal Location</b>	<b>Branches in Maryland</b>	<b>Total Assets (in thousands)</b>
Adams National Bank	Washington, DC	1	\$262,857
Asia Bank, N.A.	Flushing, NY	1	\$450,137
BNY Mellon, N.A.	Pittsburgh, PA	1	\$11,232,026
Bank of America, N.A.	Charlotte, NC	195	\$1,518,957,843
Bank of Oklahoma, N.A.	Tulsa, OK	1	\$16,621,007
Bay National Bank	Baltimore, MD	2	\$217,743
Capital Bank, N.A.	Rockville, MD	2	\$255,581
Capital One Bank, N.A.	McLean, VA	129	\$123,523,320
Citibank, N.A.	Las Vegas, NV	16	\$1,157,877,000
HSBC Bank USA, N.A.	McLean, VA	2	\$183,595,108
Legg Mason Investment Counsel & Trust, NA	Baltimore, MD	1	\$83,459
Maryland Bank and Trust Company, N.A.	Lexington Park, MD	10	\$348,063
National Bank of Cambridge	Cambridge, MD	3	\$229,512
National Penn Bank	Boyertown, PA	1	\$8,992,157
PNC Bank, N.A.	Pittsburgh, PA	227	\$251,075,292
TD Bank, N.A.	Wilmington, DE	13	\$152,617,020
Wells Fargo, N.A.	Sioux Falls, SD	82	\$1,073,280,000
Woodforest National Bank	Houston, TX	8	\$3,138,382

<b>Federal Savings Banks / Thrifts</b>	<b>Principal Location</b>	<b>Branches in Maryland</b>	<b>Total Assets (in thousands)</b>
Advance Bank	Baltimore, MD	3	\$78,597
American Bank	Rockville, MD	3	\$537,347
Arundel Federal Savings Bank, FSB	Glen Burnie, MD	6	\$495,945
Baltimore County Savings Bank, FSB	Baltimore, MD	18	\$618,268
Bay-Vanguard Federal Savings Bank	Baltimore, MD	5	\$159,910
Chesapeake Bank of Maryland	Baltimore, MD	5	\$201,070
Colombo Bank	Rockville, MD	3	\$158,715
Community First Bank	Pikesville, MD	1	\$58,018
Eastern Savings Bank, FSB	Hunt Valley, MD	4	\$894,181
Fairmount Bank	Baltimore, MD	1	\$71,937

<b>Federal Savings Banks / Thrifts</b>	<b>Principal Location</b>	<b>Branches in Maryland</b>	<b>Total Assets (in thousands)</b>
First Shore Federal Savings & Loan Assoc.	Salisbury, MD	7	\$344,231
Fraternity Federal Savings & Loan Assoc.	Baltimore, MD	4	\$167,853
Fullerton Federal Savings Association	Baltimore, MD	1	\$9,377
Hamilton Federal Bank	Baltimore, MD	5	\$326,876
Homewood Federal Savings Bank	Baltimore, MD	1	\$74,617
Hopkins Federal Savings Bank	Baltimore, MD	2	\$326,931
Hull Federal Savings Bank	Baltimore, MD	1	\$26,727
Ideal Federal Savings Bank	Baltimore, MD	1	\$6,177
Jarrettsville Federal Savings & Loan Assoc.	Jarrettsville, MD	1	\$90,973
Kopernik Federal Bank	Baltimore, MD	1	\$37,855
Kosciuzsko Federal Savings Bank	Baltimore, MD	1	\$13,606
Liberty Federal Savings & Loan Association	Baltimore, MD	3	\$49,835
Madison Bank of Maryland	Forest Hill, MD	5	\$159,110
Madison Square Federal Savings Bank	Baltimore, MD	5	\$150,758
Midstate Federal Savings & Loan Assoc.	Baltimore, MD	1	\$165,596
North Arundel Savings Bank, FSB	Pasadena, MD	1	\$35,020
OBA Bank	Germantown, MD	5	\$374,216
Presidential Bank, FSB	Bethesda, MD	2	\$590,041
Prince George's Federal Savings Bank	Upper Marlboro, MD	3	\$101,980
Rosedale Federal Savings & Loan Association	Baltimore, MD	8	\$697,808
Severn Savings Bank, FSB	Annapolis, MD	4	\$997,477
Slavie Federal Savings Bank	Bel Air, MD	2	\$200,193
T. Rowe Price Savings Bank	Baltimore, MD	1	\$189,875
Vigilant Federal Savings Bank	Baltimore, MD	1	\$56,760
Washington Savings Bank, FSB	Bowie, MD	5	\$410,563
Wilmington Trust, FSB	Baltimore, MD	1	\$1,962,452

<b>Banks Chartered by Other States</b>	<b>Principal Location</b>	<b>Branches in Maryland</b>	<b>Assets (in thousands)</b>
BB&T	Winston-Salem, NC	130	\$149,199,450
Bank of Delmarva	Seaford, DE	6	\$435,354
Bank of Georgetown	Washington, DC	1	\$464,437
BealBank, SSB	Plano, TX	1	\$3,470,012
CNB Bank, Inc.	Berkeley Springs, WV	1	\$282,821
Cardinal Bank	McLean, VA	1	\$2,061,681
Centra Bank, Inc.	Morgantown, WV	2	\$1,368,949
Clear Mountain Bank	Bruceton Mills, WV	1	\$395,929
Essex Bank	Tappahannock, VA	7	\$1,202,010
First-Citizens Bank & Trust Company	Raleigh, NC	1	\$18,157,194
Graystone Tower Bank	Lancaster, PA	3	\$1,585,394
Industrial Bank	Washington, DC	2	\$381,941
Jefferson Security Bank	Shepherdstown, WV	1	\$255,497
John Marshall Bank	Falls Church, VA	1	\$286,814
M&T Bank	Buffalo, NY	221	\$67,250,903
Miners & Merchants Bank	Thomas, WV	1	\$48,273
Northwest Savings Bank	Warren, PA	5	\$8,160,667
Orrstown Bank	Shippensburg, PA	2	\$1,338,384
PeoplesBank	Glen Rock, PA	2	\$913,659
Shore Bank	Onley, VA	3	\$335,935
SonaBank	McLean, VA	1	\$613,049
Standard Bank, PaSB	Murrysville, PA	2	\$395,343
SunTrust Bank	Atlanta, GA	136	\$160,508,913
Susquehanna Bank	Lititz, PA	44	\$13,757,184
United Bank	Fairfax, VA	8	\$3,732,097
United Central Bank	Garland, TX	1	\$2,625,616
WashingtonFirst Bank	Reston, VA	3	\$418,855
Woori America Bank	New York, NY	1	\$1,074,355

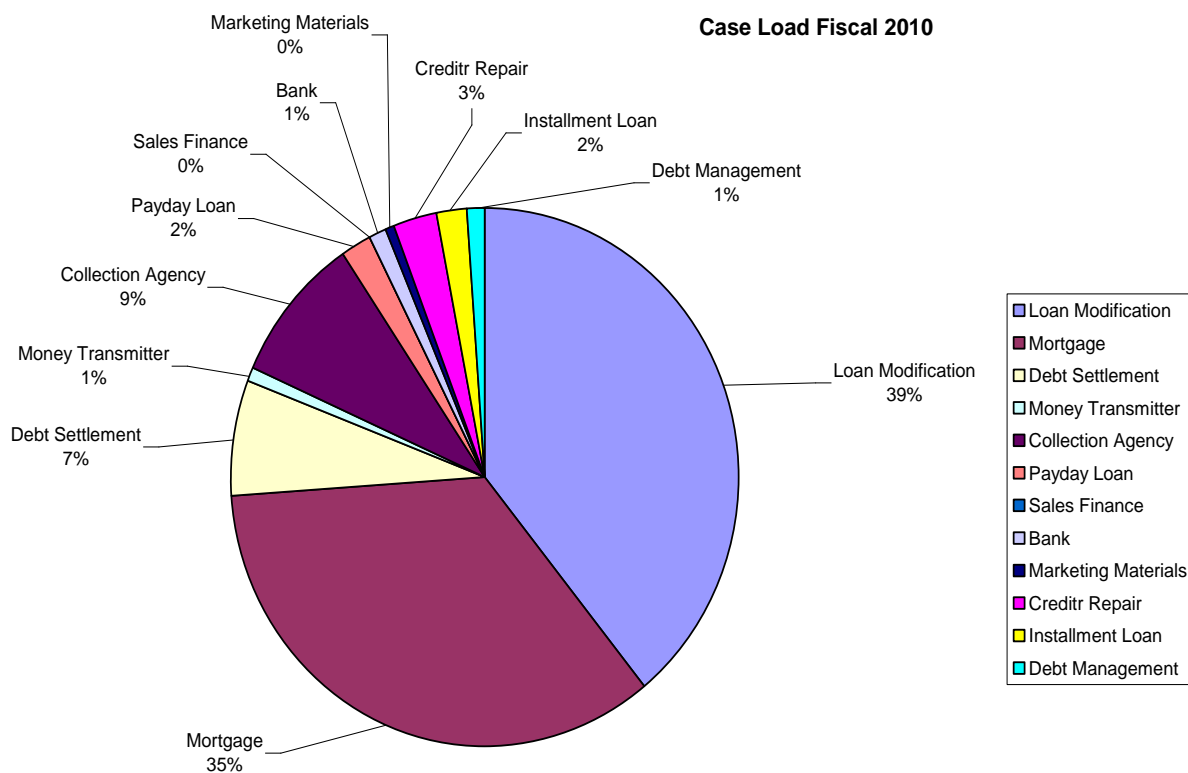
# ENFORCEMENT

## Annual Overview

**Calvin I. Wink, Jr., Acting Assistant Commissioner**

The Enforcement Team is supervised by Acting Assistant Commissioner Wink and is comprised of five investigators, including two bi-lingual English/Spanish speaking investigators.

In fiscal year 2010, the Team investigated 420 cases (316 in Fiscal 2009). This constitutes a 33% increase in the number of investigations assigned compared to last fiscal year. Of those cases, 310 of were mortgage-fraud related. In addition to conducting investigations, members of the Team remained proactive in fighting mortgage fraud, participating in foreclosure prevention seminars sponsored by the Governor and other elected officials.



The largest single area of investigation and more than half of the mortgage investigations related to loan modification abuses. With the decline in the economy and increase in consumers having difficulty meeting their mortgage payments, third parties have sought to capitalize by charging consumers up front fees in exchange for offering “assistance” in obtaining a loan modification. Unfortunately as many people discovered, many of these companies were more interested in collecting upfront fees from them rather than providing any services.



Consumers who paid anywhere from \$1,000 to \$5,000 too often found that no progress was made and, worse, they had wasted critical time as well as money.

Maryland, as one of the first states in the country to recognize the growing foreclosure-related problem of “loan modification consulting” scams, implemented an aggressive response. Following advisories to consumers and the mortgage industry in August 2008 and January 2009, the Office began taking action based on investigations conducted by the enforcement unit. In fiscal year 2010, this effort yielded 32 cease and desist orders, and 7 consent orders/agreements. This effort resulted in more than \$152,000.00 in refunds to consumers. As of this publication, the Office has more than 165 loan modification complaints under investigation.

The Office’s enforcement activities have been aided by grant funding. In January 2010, the Office received a one year Grant from the Governor’s Office of Crime Control and Prevention to ramp up enforcement of mortgage fraud. Grant funds provided salary and related expenses for an additional attorney and a paralegal focused on mortgage fraud. These employees were directed to improve coordination with partner agencies at the state, local and federal levels in combating and prosecuting fraud criminally and enforce the mortgage fraud laws.

In partnering with other law enforcement agencies, the Office was an active participant in the Maryland Mortgage Fraud Task Force sponsored by Office of United States Attorney Rod Rosenstein. The Task Force accepted several referrals for investigation from the Commissioner. The Enforcement Team participated in a training session for the Task Force members and was a presenter of a section on mortgage fraud red flags.

The Office has also partnered with local law enforcement agencies. In particular, the enforcement team continues to work closely with the Prince George’s County State’s Attorney’s Office, which maintains a prosecutor on staff dedicated solely to mortgage fraud issues. Highlights include the following cases:

One consumer complaint involved an individual who was committing fraud while working for a mortgage company by attempted to originate mortgages without a license and accepting money from applicants to improve their credit scores in violation of the Credit Services Business Act. After a through investigation by the Enforcement Team, the investigation was referred to the Prince George’s County States Attorney’s Office for criminal prosecution. In late 2009, the respondent pled guilty to numerous counts of mortgage fraud and theft. The respondent was given a suspended sentence and ordered to pay restitution of \$42,000 to two victims.

The Office received multiple complaints about a loan modification company operating in Northern Virginia that targeted Maryland consumers, particularly Spanish-speaking residents. Over 330 consumers in Maryland were identified, but more specifically, 131 of them are Spanish-speaking residents of Prince George’s County have paid upfront fees totaling over \$340,000.00 for loan modification services that they never received. Based on an investigation by the enforcement team, the Commissioner issued a Ceases and Desist Order and referred the matter for criminal prosecution to the Prince George’s County State’s Attorney. This referral culminated in the state’s first indictment for loan modification abuses in November 2010.

The Office of the Commissioner also completed an investigation into the litigation related practices of collections agencies. Many of these companies purchase delinquent consumer debt and then file hundreds or, in some cases, thousands of lawsuits against Maryland borrowers. In December of 2009, the Office settled an action against one of the largest collections agencies in the country which had filed more than 30,000 actions since 2001. The Collection Agency agreed to revise its litigation practices, among other things, and paid a \$998,000 fine. Following this investigation, the agency’s principal law firm based in Rockville, Maryland had its collection license suspended by the Commissioner and thereafter collapsed. This resulted in the dismissal of over 30,000 collection actions filed in District Court by the company across the State.

## **NON-DEPOSITORY INSTITUTIONS**

### **Mortgage Compliance Examinations Annual Overview**

*Janet Ericson, Unit Supervisor*

The Mortgage Compliance Unit monitors the business activities of licensed mortgage lenders and mortgage loan originators in Maryland. Maryland Mortgage Lenders are licensed to conduct mortgage lending, mortgage brokering, and mortgage servicing of loans; while the Mortgage Originators are licensed employees of the mortgage lender licensee, who have direct contact and interaction with consumers throughout the process. The Mortgage Compliance Unit is responsible for conducting compliance examinations of licensed mortgage lenders, whose range of services, coupled with the multitude of laws and regulations governing the extension of credit, provide for complex analysis and review. In addition to Maryland law, examiners evaluate compliance with federal laws, including the Real Estate Settlement Procedures Act, the Truth in Lending Act, and recent extensive revisions to both.

Last year, the Compliance Unit developed extensive examination procedures and guidelines for the examination of mortgage servicers, which are more specialized, far-reaching and time-consuming for the Examiners. This type of examination had not been undertaken previously, but the results soon benefited Maryland consumer borrowers. In June of 2010, the Commissioner announced refunds to Maryland consumers of approximately \$246,000, related to a series of completed regulatory examinations of mortgage loan servicers. The Mortgage Compliance Unit has emerged as a leader in the area of servicer-examination and has taken a key role in the multi-state efforts to examine foreclosure practices, including document preparation and oversight, in light of public concerns relating to defective affidavits filed in foreclosure proceedings.

Maryland's Mortgage Compliance Unit has completed more than 700 examinations of mortgage lender licensees during fiscal year 2010. As a result, Maryland consumers received refunds of over \$1,000,000 during FY 2010. Fines and civil penalties were also collected by the Commissioner's office.

Since Congress enacted the Safe and Fair Enforcement for Mortgage Licensing Act in July of 2008, more commonly known as the SAFE Act, members of the Compliance Unit have served on the national SAFE Testing and Education Committee, as well as the committee which developed the Maryland specific portion of the SAFE testing and education committee; and in 2011, members are serving on the national SAFE test revisions questions.

In 2011, the Mortgage Compliance Unit is exploring risk based examinations, new government programs, regulatory and policy changes, and specific consumer issues including loan modifications and foreclosure errors.

## **Non-Mortgage Compliance Unit Annual Overview**

***Sabrina Brown, Unit Supervisor***

The Office of the Commissioner oversees non-mortgage, non-depository institutions that provide credit to Maryland consumers, including: Money Transmitters, Debt Management Services, Check Cashers, Sales Finance Companies, Credit Service Businesses and Installment Loan Companies. In 2010, Maryland consumers seeking access to credit continued to face tightening underwriting standards for credit approval leading to increased reliance on nontraditional institutions, such as check cashing facilities, money transmitters and pay day lenders. Additionally, the global financial crises, uncertainty in the credit markets, and increased unemployment have lead to increased levels of consumer debt delinquencies and, consequently, reliance on debt relief service providers. Total U.S. consumer debt (which includes credit card debt and non-credit card debt but not mortgage debt) reached \$2.45 trillion as of March 2010. Such increases in consumer demand has required closer oversight of the industries licensed by the Commissioner. Many of the non-depository institutions regulated by the Office of the Commissioner offer diverse products to consumers through a number of products and services that are constantly evolving to keep up with consumer demand.

Money Transmitters transmit funds electronically, provide money orders, travelers' checks, bill payer services, bi-weekly mortgage payment services and prepaid stored value cards. As technology improves, money transmitters continue to find ways to participate in the marketplace. For example, demand for "prepaid" cards continues to grow as product offerings expand through the use of gift cards, campus cards, payroll cards and telephone cards. Accordingly, examiners must stay up to date with the changing industry through examination, oversight and leveraging of resources through partnerships. Examiners have participated in the Money Transmitter Regulators Association joint examination committee where national licensees are strategically examined by a team of examiners from two to eight states. Money Transmitters are considered Money Service Business and are required to adhere to the federal Bank Secrecy Act (BSA) and Anti-Money Laundering regulations. As a result, Examiners participated in a pilot program with the Internal Revenue Services aimed at consistency with the BSA in order to deter money laundering.

Debt Management Companies are licensed in Maryland and provide consumers access to payment plans that permit repaying debt over time with some accommodation from the creditor by enrolling in a debt management plan. With the assistance of a credit counselor or some other debt management service provider, an agreement is entered into that provides full repayment over time in exchange for concessions by the creditor. The increasing number of consumers holding unsecured debt that they cannot pay has created elevated demand for debt relief services. On May 4, 2010, Governor Martin O'Malley approved Chapters 338 (Senate Bill 701) and 339 (House Bill 392), the Maryland Debt Settlement Services Study Act, which became effective on July 1, 2010. The Act required the Office of the Commissioner of Financial Regulation in consultation with the Consumer Protection Division of the Office of the Attorney General to conduct a study of the debt settlement services industry. The Act also required the study to make recommendations on how best to regulate the debt settlement services industry in the State. The final draft of the Study was provided to Members of the General Assembly in December.

The Non-Depository Compliance Unit consistently works with other state regulators through the National Association of Consumer Credit Administrators and Money Transmitters Regulators Association, credit counseling industry associations as well as state and federal law enforcement and the Internal Revenue Service.

## **NON-DEPOSITORY INSTITUTIONS**

### **Licensing Annual Overview**

*Anne Ecker, Director*

The Office of the Commissioner licenses close to 10,000 non-depository institutions and individuals engaging in financial services. The large majority of these licensees provide consumer credit such as mortgage loans, consumer loans, and retail sales financing in addition to check cashers, collection agencies, debt management companies, mortgage loan originators and money transmitters.

The Office witnessed a reduction in active licensees over the past year with the exception of check cashers which saw a modest increase in active licensees. Throughout 2010, previously profitable institutions, such as mortgage lenders, saw a dramatic decline in demand for services resulting from the downturn in the housing market and tightening credit markets. Mortgage lenders have found it increasingly difficult to conduct operations profitably in the current economic climate. Additionally, the overhaul of two key federal laws, the Real Estate Settlement Procedures Act and the Truth in Lending Act, in which originator compensation and disclosure must adhere to stringent standards, has created considerable uncertainty relating to the viability of non-depository mortgage lending as an industry going forward. Ironically, while regulatory and enforcement activities undertaken by the Office have increased in the area of mortgage lending, the number of licensees continues to decline. It is important to note, however, that the Consumer Financial Protection Act of 2010 (the Act), signed into law on July 21, 2010, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, effectively eliminates the extension of preemption from state licensing and regulation for operating subsidiaries of national banks and thrifts. In light of these changes, operating subsidiaries will be forced to either obtain a state license or be subsumed by the parent bank. Consequently, it is possible that the number of licensees may increase as national banks and thrift adapt to the requirements of the Act.

The transition to the Nationwide Mortgage Licensing System (“NMLS”) began on May 11, 2009 and will end on December 31, 2010. The Office continues to screen new and previously licensed mortgage loan originators using the comprehensive requirements set-forth in the S.A.F.E. Mortgage Licensing Act. Unfortunately, there have been instances where previously licensed originators cannot satisfy the qualification requirements provided for in the new law. In November of 2010, the Office will begin renewing mortgage lender and mortgage loan originator licenses on the NMLS for the first time. Through this process, Maryland converted to a one-year license cycle which coincides with the calendar year for all mortgage licenses.

**New Business Licensees and  
Total Current Business Licensees by Category  
July 1, 2009 to June 30, 2010**

	New Licensees	Total Licensees
Mortgage Lender	406	1478
Check Cashers	57	517
Credit Service Businesses	5	5
Sales Finance	79	545
Installment Loan	12	112
Collection Agency	216	1,442
Consumer Loan	14	129
Money Transmitter	10	70
Debt Management	3	33
Mortgage Insurance Producers	9	35
Mortgage Originator	2,570	5,007
<b>TOTAL</b>	<b>3,381</b>	<b>9,373</b>

**Consolidated Written Consumer Complaint Analysis  
Fiscal Years Ending June 30**

Complaint Type	2010	2009	2008	2007
Mortgage Complaints	593	654	601	419
Collection Agency Complaints	563	590	589	596
Non-Maryland Bank Complaints (*)	748	636	538	649
Credit Reporting Complaints	321	407	483	632
General Consumer Complaints	302	238	236	188
Maryland Bank and Credit Union Complaints	47	88	76	66
Miscellaneous Complaints	29	37	34	47

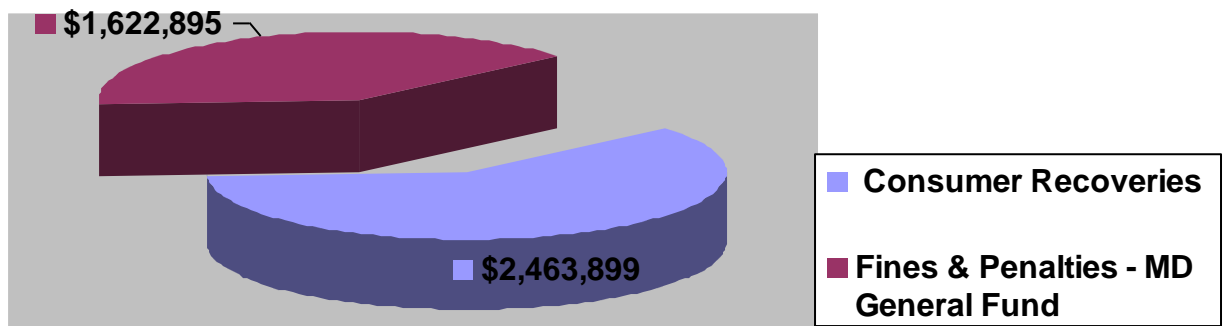
<b>Consolidated Annual Complaint Totals</b>	<b>2,603</b>	<b>2,650</b>	<b>2,597</b>	<b>2,682</b>
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(\*) Complaints received against institutions not regulated by this office, including national banks, federal savings banks, savings and loan associations, federal credit unions and out-of-state banks.

## Monetary Recoveries for Consumers and the Maryland General Fund July 1, 2009 to June 30, 2010

Monetary recoveries for consumers are an essential part of the Commissioner's commitment to protect the public from economic harm caused by problems in the consumer credit market. During fiscal year 2010, the Commissioner's Office recovered a total of \$2.5 million for consumers. These recoveries included refunds for consumers who were charged amounts not permissible under State or federal law, elimination of charges or fees that were not properly imposed, and other forms of relief.

Additionally, as a result of our investigations, the Commissioner's Office imposed fines and penalties on consumer lender licensees that we determined had violated various State laws and/or regulations. The fines and penalties exceeded \$1.6 million, which was an increase of 45% over the previous year's figure of \$1,121,539. These fines were paid to the State's General Fund, and were primarily related to the activities of unlicensed mortgage companies and mortgage originators.



# OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION

## MISSION

The Office of the Commissioner of Financial Regulation supervises the activities of the financial services industry under its regulatory authority through periodic on-site examinations and off-site monitoring programs. The mission of the Commissioner's Office is to ensure that the citizens of Maryland are able to conduct their financial transactions in safe, sound, and well-managed institutions, while providing a flexible, yet sound regulatory environment that promotes fair competition, encourages innovative business development, and supports the economy of Maryland.

## ACCREDITATION

Since July 13, 1992, the Office of the Commissioner of Financial Regulation has been accredited by the Conference of State Bank Supervisors (CSBS). The Commissioner's Office is proud of this accreditation, and was granted recertification in December 2007 after demonstrating compliance with the approval standards established by CSBS. CSBS is a national organization that represents the interests of state banking departments. State banking departments must undergo a re-accreditation examination and audit every five years and submit annual assessment updates in order to retain certification. The CSBS Accreditation Program is designed to encourage the standardization of supervision and regulation of state chartered banks, identify weaknesses, and capitalize on the strengths of state banking departments. The process assists the Commissioner's Office to effectively carry out its responsibilities of chartering and supervising State chartered financial institutions, of ensuring industry safety and soundness, legal and regulatory compliance, and providing responsive service.

## OFFICE REVENUE and EXPENDITURES

The Office of the Commissioner of Financial Regulation is a self-supporting unit of the State Government, with little of its operating expenditures funded from tax revenues. The Office's funding is obtained mostly from the supervision, examination, application, and licensing fees assessed upon those financial institutions regulated by the Commissioner. During fiscal year 2010, funds collected by the Commissioner's Office were remitted to the State's General Fund, with the exception of four Special Funds, which are directly funded by Maryland-licensed mortgage lenders, money transmitters, debt management companies and Maryland state chartered banks, credit unions and non-depository trust companies to cover the costs of supervising those industries. The following charts compare the Office's revenue and expenditures for fiscal years 2009 and 2010.

**REVENUE and EXPENDITURES**  
**General Fund**  
**Fiscal Years Ending June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2009</b>
Non Depository Investigation & License Fees	\$834,905	\$1,300,090
Penalties – Cash*	\$1,622,895	\$800,111
Penalties – Non Cash	\$0	\$321,428
Miscellaneous Income/Other	\$115	\$2,415
<b>TOTAL REVENUE</b>	<b>\$2,457,915</b>	<b>\$2,424,044</b>

\*All fines and penalties from all Programs are deposited into the General Fund.

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2009</b>
Salaries and Benefits	\$860,727	\$792,439
Technical and Special Fees		\$0
Communication		\$0
Travel/Training		\$810
Lease Expense, Parking Facilities		\$139
Contractual Services	\$11,113	\$0
Supplies and Materials		\$0
Equipment		105
Fixed Charges, Rent		\$0
<b>TOTAL EXPENDITURES</b>	<b>\$871,840</b>	<b>\$793,493</b>
<b>Net Revenue</b>	<b>\$1,586,075</b>	<b>\$1,630,551</b>



**REVENUE and EXPENDITURES**  
**Bank & Credit Union Special Fund**  
**Fiscal Years Ending June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2009</b>
Bank & Credit Union Annual Assessments	\$2,911,382	\$3,564,206
Non-Depository Trust Comp. Annual Assessments	\$244,104	\$178,179
Depository Amendment and Filing Fees	\$59,300	\$47,140
Miscellaneous Income/Other	(\$500)	\$88,107
<b>TOTAL REVENUE</b>	<b>\$3,214,286</b>	<b>\$3,877,632</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2009</b>
Salaries and Benefits	\$1,818,504	\$2,083,585
Technical and Special Fees	\$188,431	\$136,810
Communication	\$56,991	\$74,656
Travel/Training	\$224,347	\$204,820
Lease Expense, Parking Facilities	\$5,352	\$7,325
Contractual Services	\$179,225	\$212,554
Supplies and Materials	\$5,861	\$2,946
Equipment	\$19,757	\$33,072
Fixed Charges, Rent	\$181,638	\$34,442
Administrative Expenses	\$348,582	\$420,444
<b>TOTAL EXPENDITURES</b>	<b>\$3,028,688</b>	<b>\$3,210,655</b>

<b>Net Revenue</b>	<b>\$185,598</b>	<b>\$666,977</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$852,575</b>	<b>\$666,977</b>

**REVENUE and EXPENDITURES**  
**Special Fund – Debt Management**  
**Fiscal Years Ending June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2009</b>
Non Depository Examinations	\$19,788	\$26,052
Non Depository Investigation & Licensing Fees	\$106,000	\$28,000
Miscellaneous Income/Other	\$8,291	\$350
<b>Total Revenue</b>	<b>\$134,079</b>	<b>\$54,402</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2009</b>
Salaries and Benefits	\$57,504	\$13,385
Technical and Special Fees		\$0
Communication		\$0
Travel/Training	\$16,366	\$17,007
Lease Expense, Parking Facilities	\$869	\$919
Contractual Services	\$22	\$10
Supplies and Materials	\$25	\$0
Equipment		\$0
Fixed Charges, Rent	\$537	\$52
Administrative Expenses	\$14,894	\$7,460
<b>Total Expenditures</b>	<b>\$90,216</b>	<b>\$38,833</b>

<b>Net Revenue</b>	<b>\$43,863</b>	<b>\$15,569</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$67,089</b>	<b>\$23,226</b>

**REVENUE and EXPENDITURES**  
**Special Fund – Money Transmitters**  
**Fiscal Years Ending June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2009</b>
Non Depository Examinations	\$11,695	\$19,000
Non Depository Investigation & Licensing Fees	\$341,000	\$23,179
Miscellaneous Income/Other	\$73,848	\$7,527
<b>Total Revenue</b>	<b>\$426,543</b>	<b>\$49,706</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2009</b>
Salaries and Benefits	\$246,878	\$209,197
Technical and Special Fees	\$0	\$0
Communication	\$324	\$261
Travel/Training	\$17,306	\$35,816
Lease Expense, Parking Facilities	\$1,618	\$2,075
Contractual Services	\$1,811	\$19
Supplies and Materials	\$0	\$108
Equipment	\$0	\$0
Fixed Charges, Rent	\$823	\$979
Administrative Expenses	\$36,320	\$33,972
<b>Total Expenditures</b>	<b>\$305,081</b>	<b>\$282,427</b>

<b>Net Revenue</b>	<b>\$121,462</b>	<b>(\$232,721)</b>
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<b>Balance Carried Forward (End of FY)</b>	<b>\$348,467</b>	<b>\$227,005</b>
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**REVENUE and EXPENDITURES**  
**Special Fund – Mortgage Originators**  
**Fiscal Years Ending June 30**

<b>REVENUE</b>	<b>FY 2010</b>	<b>FY 2009</b>
Non Depository Examinations	\$383,821	\$549,137
Non Depository Investigation & Licensing Fees	\$3,674,056	\$2,622,484
Interest on Fund Balance	(\$143,066)	\$129,516
Miscellaneous Income/Other	\$4,535	\$14,577
<b>Total Revenue</b>	<b>\$3,919,346</b>	<b>\$3,315,714</b>

<b>EXPENDITURES</b>	<b>FY 2010</b>	<b>FY 2009</b>
Salaries and Benefits	\$3,492,853	\$3,609,264
Technical and Special Fees	\$213,109	\$257,286
Communication	\$59,138	\$97,156
Travel/Training	\$40,815	\$61,471
Lease Expense, Parking Facilities	\$28,604	\$36,833
Contractual Services	\$272,942	\$435,214
Supplies and Materials	\$24,499	\$39,965
Equipment	\$22,793	\$5,108
Fixed Charges, Rent	\$166,786	\$128,499
Administrative Expenses	\$608,595	\$743,822
<b>Total Expenditures</b>	<b>\$4,930,134</b>	<b>\$5,414,617</b>

<b>Net Revenue</b>	<b>(\$1,010,789)</b>	<b>(\$2,098,903)</b>
<b>Balance Carried Forward (End of FY)</b>	<b>\$622,398</b>	<b>\$1,633,186</b>

**OFFICE OF THE COMMISSIONER OF FINANCIAL REGULATION  
MANAGEMENT ORGANIZATION CHART  
As of January 3, 2011**

**Mark A. Kaufman**  
Commissioner

**Anne B. Norton**  
Deputy Commissioner

**Teresa M. Louro**  
Assistant Commissioner  
Bank Supervision

**Anne B. Norton**  
Assistant Commissioner  
Non-Depository Supervision

**Joseph E. Rooney**  
Assistant Commissioner  
Administration and Credit Union Supervision

**Marcia A. Ryan**  
Assistant Commissioner  
Depository Corporate Activities

**Calvin Wink**  
Acting Assistant Commissioner  
Enforcement and Complaints

**Keisha Whitehall-Wolfe**  
Director  
Non-Depository Licensing

**Michael J. Jackson**  
Director  
Regulatory Policy

**BOARDS**  
**As of June 30, 2010**

**Maryland Banking Board**

The Maryland Banking Board is a nine-member advisory group, consisting of the State Comptroller and eight members appointed by the Governor. The eight appointed positions include: three banking industry representatives, an economist, a certified public accountant, a consumer representative, and two public members. The function of the Board is to provide impartial advice, as needed, on certain bank applications submitted to the Commissioner, and on other general matters concerning the business of banking in this State. The Board meets at the request of the Commissioner.

**Board Members**

**Hon. Peter Franchot**  
State Comptroller

**Vacant**  
Banking Representative

**Vacant**  
Public Member

**Kamran A. Khan**  
Economist

**John R. Lane**  
Banking Representative

**Vacant**  
Public Member

**Vacant**  
Certified Public Accountant

**Vacant**  
Banking Representative

**Helen Won**  
Consumer Representative

**Maryland Collection Agency Licensing Board**

The Maryland Collection Agency Licensing Board has statutory responsibility for the licensing of collection agencies operating in Maryland. The Governor, with the consent of the Senate, appoints the four-member board, consisting of two consumer representatives and two industry representatives. The Commissioner serves as Chairman. The Board addresses written complaints, conducts hearings on alleged violations, mediates disputes, and issues orders requiring licensees to correct violations. The Board informs both licensees and the public about abusive debt collection practices.

**Board Members**

**Sarah Bloom Raskin**  
Chairman

**Stephen Hannan**  
Consumer Member

**Susan Hayes**  
Industry Member

**Eileen Farnham-Brandenberg**  
Consumer Member

**Joanne Young**  
Industry Member

**Office of the Commissioner of Financial Regulation**  
**Commissioners**  
**As of December 31, 2010**

NAME	From	To
Mark A. Kaufman	2010	Present
Sarah Bloom Raskin	2007	2010
Charles W. Turnbaugh	2003	2007
Mary Louise Preis	1999	2003
H. Robert Hergenroeder <sup>1</sup>	1996	1999
Margie H. Muller	1983	1996
Joseph R. Crouse	1980	1983
W. H. Holden Gibbs	1978	1980
William L. Wilson	1971	1978
William A. Graham	1967	1971
Herbert R. O'Connor, Jr.	1963	1967
W. R. Milford	1960	1963
William F. Hilgenberg	1959	1959
William H. Kirkwood, Jr.	1951	1959
Joseph P. Healy	1950	1951
J. Millard Tawes	1947	1950
John W. Downing	1939	1947
Warren F. Sterling	1935	1939
John J. Ghingher	1933	1935
George W. Page	1919	1933
J. Dukes Downs	1910	1919

<sup>1</sup> In 1996, the Bank Commissioner's Office was merged by statute with the Office of Consumer Credit, resulting in the change of title from Bank Commissioner to Commissioner of Financial Regulation.