

Department of Legislative Services  
Maryland General Assembly  
2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 307

(Senator Klausmeier)

Finance

Economic Matters

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**Financial Institutions – Mortgage Loan Originators – Independent Contractors**

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This bill alters provisions of law relating to the licensing of mortgage loan originators to generally require the licensing of independent contractors as mortgage loan originators (instead of as mortgage lenders). An independent contractor may be issued a license and act as a mortgage loan originator if the independent contractor is (1) a licensed insurance producer in good standing under the Insurance Article and (2) not engaged by more than one “sponsor” in the State. The bill defines a “sponsor” as a mortgage lender, or a person exempt from licensing to act as a mortgage lender, who employs (or exclusively engages) an individual to act as a mortgage loan originator in the State. A sponsor of a mortgage loan originator must, at all times, reasonably and adequately supervise the activities of the mortgage loan originator that are conducted within the scope of the mortgage loan originator’s employment (or exclusive engagement). The Office of the Commissioner of Financial Regulation (OCFR) must adopt regulations to implement the bill. By December 31, 2024, OCFR must report to specified committees of the General Assembly on (1) the number of complaints received from consumers who receive mortgage loan origination services from independent contractors between October 1, 2023 and November 1, 2024, and (2) the number of violations of law or regulations or other concerns regarding the supervision by sponsors of mortgage loan originators providing services as independent contractors cited by OCFR examiners during examinations of sponsors conducted during the same time period.

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**Fiscal Summary**

**State Effect:** The bill is not anticipated to materially affect special fund licensing revenues or expenditures as independent contractors working as mortgage loan originators generally have to be licensed as mortgage lenders under current law. OCFR can adopt the required regulations and meet the reporting requirement with existing resources.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

### Current Law:

#### *Mortgage Loan Originators*

A mortgage loan originator is an individual who for compensation or gain, or in the expectation of compensation or gain, takes a loan application or offers or negotiates the terms of a mortgage loan. Individuals *employed* as mortgage loan originators must be licensed by OCFR. *Independent contractors* may not be licensed as mortgage loan originators, but instead are required to be licensed as mortgage lenders (also by OCFR), unless otherwise exempt from those licensing requirements.

Among other requirements, an applicant for a mortgage loan originator license must complete 20 hours of Nationwide Multistate Licensing System and Registry approved pre-licensure education courses, which must include, among other topics, instruction in both national and Maryland mortgage-related law. Additionally, an applicant must achieve a passing grade on a specified written examination.

An initial license is valid for a one-year term and may be renewed annually. A renewal license requires at least eight hours of continuing education, as specified.

#### *Insurance Producers*

An insurance producer is a person licensed by the Maryland Insurance Administration to sell insurance in the State on behalf of an insurer. A producer can be a captive agent, only selling insurance for one insurer, or an independent agent, able to sell insurance for more than one insurer. An individual applying for the license must be of good character and trustworthy and meet any education requirements specified by law and set by the Maryland Insurance Commissioner.

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## Additional Information

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 282 (Delegate Queen) - Economic Matters.

**Information Source(s):** Maryland Department of Labor; Department of Legislative Services

**Fiscal Note History:** First Reader - February 6, 2023  
js/mcr Third Reader - April 10, 2023  
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