



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

TESTIMONY OF DELEGATE PAM QUEEN
HB 282 – Financial Institutions- Mortgage Loan Originators-Independent Contractors
SUPPORT

Greetings Chair C.T. Wilson, Vice-Chair Brian Crosby, and members of the Economic Matters Committee:

HB 282 provides clarifying language that an independent contractor (1099 employee) can be licensed in Maryland as a Mortgage Loan Originator (MLO). The update will make consistent state and federal tax withholding requirements for 1099 Mortgage Loan Originators (MLOs) operating in Maryland.

Currently mortgage companies as employers are directed to withhold state and federal taxes for 1099 MLOs who are independent contractors. This practice is inconsistent with the typical tax treatment for 1099 employees under Maryland statute. Effectively, these MLOs in Maryland are being treated as W2 employees, not independent contractors solely for tax purposes.

This bill does not impact the services provided to consumers by 1099 MLOs, nor changes the work agreement and arrangements between a mortgage company and MLOs. MLOs can only perform origination services for one sponsor licensee. Additionally, no changes are made to the obligations and the regulatory liability of a mortgage company sponsor.

HB 282 will align with laws in 39 other states that either have affirmative language or do not explicitly prohibit independent contractors to be licensed as MLOs, including our neighbors in Pennsylvania, Delaware, Virginia, and West Virginia.

This bill provides needed clarifying language for mortgage companies with MLOs operating as independent contractors in Maryland. I seek a favorable recommendation for HB 282.