

1050 Woodward Ave.
Detroit, MI 48226

Wednesday, February 8, 2023

House Economic Matters Committee
Representative, Pamela Queen

Re: Support for House Bill 282

Dear Chairman Wilson and Members of the Committee:

Rocket Mortgage appreciates the opportunity to offer testimony in support of the proposed amendments to the Maryland Code, which will provide clarity and the conditions that an independent contractor may be licensed and sponsored as a mortgage loan originator ("MLO").

Rocket Mortgage is a Detroit-based national home mortgage lender, who enables the American Dream of homeownership and financial freedom through its obsession with an industry-leading, digital-driven client experience. In 2021, Rocket Mortgage closed \$351 billion dollars of mortgage volume across all 50 states. Rocket Mortgage has received the JD Power Award for mortgage origination satisfaction in 2023 and for 12 of the previous 13 years.

Under Maryland's current code, mortgage licensees are only able to sponsor MLOs who have taxes withheld by the sponsoring licensee. Typically, this type of tax withholding would indicate a W2 employment tax status, however, based on the code's currently vague language, companies looking to sponsor independent contractor MLOs must withhold taxes on the independent contractors' earnings. This goes against the spirit of an independent contractor arrangement, which generally provides flexibility on tax filings, including allowing independent contractors to anticipate their tax burden and withhold how they see fit. For small business owners, taking the taxes off the top of their earnings doesn't allow them to reinvest these funds into their business throughout the year. This commonsense change will help keep these tax dollars local and accessible to these small business owners. Currently there are 39 states that allow sponsoring of independent contractor MLOs, and none of those 39 states require tax withholding for independent contractor MLOs.

In addition, if a company is unable or unwilling to support the withholding of taxes for these independent contractor MLOs, the only alternative option is for these MLOs is to be licensed as a broker. This could force independent contractor MLOs who may be operating on a part-time basis to take on the compliance and other associated risks to become licensed as a mortgage broker. This creates additional compliance enforcement obligations and could negatively impact Maryland consumers if they do business with a brokerage who may not have the proper policies and procedures in place.

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In sum, we appreciate the Committee's leadership on this matter. Sponsoring of independent contractor MLOs is a crucial piece to the modernization of mortgage licensing, and the standards set forth support Rocket Mortgage's continuing commitment to ensuring consumer protection and proper oversight of our mortgage activity. Should you have any further questions, please contact me, Michael Stidham at (313) 946-1699 or at MichaelStidham@RocketMortgage.com.



Michael Stidham
Director, Regulatory Affairs
Rocket Mortgage, LLC