

Wednesday, February 15, 2023

Senate Finance Committee
Senator Klausmeier

Re: Support for Senate Bill 307

Dear Chairman Griffith 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").

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 only Maryland requires 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 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.

In sum, we appreciate the Committee's leadership on this matter, and I urge a favorable report on Senate Bill 307. Thank you.

1050 Woodward Ave.
Detroit, MI 48226

A handwritten signature in black ink, appearing to read 'M. Stidham', written in a cursive style.

Michael Stidham
Director, Regulatory Affairs
Rocket Mortgage, LLC