

SB307 lettersigned.pdf

Uploaded by: Charles A "Cory" Ruppertsberger IV

Position: FAV



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February 14, 2023

Hon. Chair Griffith and the Members of the Senate Finance Committee,

My name is Cory Ruppensberger. I am the sole owner of a small mortgage company located and licensed here in Maryland by the Commissioner of Financial Regulation (the "Commissioner"). My company uses only 4 licensed mortgage loan officer/originators. We also employ a licensed third party loan processor and support MD based title and appraisal companies with our mortgage loan volume.

I write to express my support for the passage of **SB307** which would authorize the Commissioner to license individual loan originators as independent contractors, but only to provide mortgage services through one licensed mortgage company.

I believe that such a measure will have a positive effect particularly on small operators like my company by offering increased flexibility. It has been exceedingly difficult particularly for small mortgage companies to maintain viable businesses. Last year, 2021, saw a serious downturn in mortgage applications across the country. Maryland was no exception. With the Federal Reserve continuing to raise interest rates, this year does not look much more promising than last.

Any help we could receive in keeping overhead down such as **SB307** would be much appreciated. Indeed, it may mean the difference whether numerous small Maryland businesses can remain in business or fail. These small mortgage broker and lending businesses also indirectly support numerous local Maryland businesses such as title and appraisal services. If one of these businesses were to fail it will negatively impact industry partners as well.

We see no negative impact on industry standards. In order to obtain and maintain a license, the independent contractors will have to complete the same educational prerequisites, take the same exam and exhibit the same financial and character requirements as W-2 employee loan originators. Accordingly, we do not see any negative impact on consumer borrowers. In fact, keeping more small companies afloat increases the menu of choices consumers have for their mortgage needs. Many of the larger corporate organizations are not locally headquartered and aren't able to establish community ties in areas such as affordable lending initiatives.

For all those reasons and more, we urge passage of **SB307**. Thank you for listening.

Very truly yours,

Charles A. Cory Ruppensberger IV
Best Loan Choice, Inc.

SB307 SF Testimony in Support.pdf

Uploaded by: Marta Harting

Position: FAV

**STATE FARM INSURANCE COMPANIES
TESTIMONY IN SUPPORT OF SB 307 (FINANCIAL INSTITUTIONS – MORTGAGE LOAN
ORIGINATORS – INDEPENDENT CONTRACTORS))**

State Farm supports SB 307 (Financial Institutions – Mortgage Loan Originators – Independent Contractors). State Farm has exclusive independent contractor insurance agents throughout the State of Maryland who sell State Farm insurance, each of whom is a small business employing Marylanders.

The bill would add the concept of independent contractors to the mortgage loan originator licensing law, expanding it beyond only employer/employee relationships between the licensed mortgage lender and the mortgage loan originator under the current law. State Farm supports this bill because it will enable State Farm's independent contractor insurance agents in Maryland who also hold a mortgage loan originator license to work with a licensed mortgage lender as an independent contractor, supporting these agents' small businesses in the State.

For more information, please contact Marta Harting (mdharting@venable.com).

Michael Stidham Rocket Mortgage SB307 FAV.pdf

Uploaded by: Michael Stidham

Position: FAV

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

SB0307_MMBBA_Green_UNF.pdf

Uploaded by: DENNIS RASMUSSEN

Position: UNF



**Testimony offered on behalf of:
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION, INC.**

**IN OPPOSITION OF:
SB0307 – Financial Institutions –
Mortgage Loan Originators – Independent Contractors**

**Senate Finance Committee
Hearing: 2/15/2023 at 1:00 PM**

**The Maryland Mortgage Bankers and Brokers Association, Inc. (“MMBBA”)
OPPOSES SB0307.**

Licensed mortgage lenders in the State of Maryland employ Mortgage Loan Originators (MLO) to perform loan origination activities which include, but are not limited to taking loan applications, advising borrowers on the details of available loan products, and negotiating terms of a mortgage loan. In doing so, an MLO provides significant financial guidance for what generally amounts to the largest financial commitment a consumer will ever make in his/her lifetime. The complexities of loan origination have reached new heights since the financial crisis of 2007 which negatively impacted many borrowers from shady business practices and resulted in appropriate safeguards being put in place by the State of Maryland to protect Maryland borrowers. These safeguards have proven to be effective and have accomplished what was intended.

Licensed MLO's work for licensed Lenders who are responsible for the **direct supervision** of all activities of the MLO. Licensed lenders provide the training and guidance necessary to the MLO so as to ensure fair, compliant, and accurate understanding of all lending requirements that will be presented to the mortgage loan applicant. Developing and maintaining MLO's as financial professionals is their objective and in their best interest. An MLO who is a full time and an exclusive employee of the lender is positioned to do just that. It is this “bond” between a licensed lender (employer) and an MLO (employee) that helps mitigate the problems from the past. You see, the licensed lender does not want to risk their lender license due to an untrained or rogue employee and therefore makes regular efforts to monitor their activities. Anything that breaks this relationship will quickly result in little or no monitoring for an MLO, taking us backwards in time.

2/13/2023

SB0307

Affiliated insurance producers (licensed insurance agents) can obtain an MLO license under current regulations and are currently doing so as part-time employees. MLO's from the insurance industry operate in the mortgage arena on a limited part time basis as they have a full-time commitment to the insurance business. For lack of a better term, they treat the mortgage business as a "side hustle". The Maryland consumer deserves better than this. They deserve dealing with a full time, skilled professional from the mortgage industry. They deserve an MLO who, or at the very least, is managed in an employer-employee relationship that keeps the employer actively educating, training, guiding and monitoring the MLO activities at the risk of their losing their own lender license.

SB0307 seeks to allow a sponsor to remove this employer-employee relationship and engage a licensed MLO to act as an independent contractor as opposed to an employee. The lack of control that a sponsor will have over an **INDEPENDENT PART TIME MLO** will cease to exist and will prove detrimental to the Maryland consumer. The accountability of an employee to an employer is far different from that of an independent contractor who has multiple interests and no full-time dedication to a mortgage practice. The employer-employee relationship results in the highest level of integrity and service to the loan applicant.

Finally, we should ask ourselves "**How does this benefit the Maryland consumer?**" It does not, it only benefits the lender/sponsor who would avoid withholding taxes and payment of social security which would provide a financial benefit to a sponsor or to a part time insurance agent while risking collateral damage to your constituents and our Industry.

Lastly, FHA /HUD policy has always dictated that the lender **cannot use nonemployees as Loan Officers** and that a lender is required to compensate using IRS Form W-2. The reasoning is obvious, and this further supports the concept of the importance of the employer-employee relationship.

For these reasons, the MMBBA urges an **UNFAVORABLE REPORT on SB0307.** Should the committee require any additional information, please contact me or Dennis F. Rasmussen, dfr@rasmussengrp.net or 410-821-4445.

Respectfully,

Richard J. Green, Co-Chair, MMBBA Legislative Committee
richard.green@presidential.com – (410) 456-9345

SB0307_MMBBA_Green_UNF.pdf

Uploaded by: Richard Green

Position: UNF



**Testimony offered on behalf of:
MARYLAND MORTGAGE BANKERS & BROKERS ASSOCIATION, INC.**

**IN OPPOSITION OF:
SB0307 – Financial Institutions –
Mortgage Loan Originators – Independent Contractors**

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