



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

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**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.

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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](mailto:dfr@rasmussengrp.net) or 410-821-4445.

Respectfully,

**Richard J. Green, Co-Chair, MMBBA Legislative Committee**  
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