

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 282
Economic Matters

(Delegate Queen)

Finance

Financial Institutions – Mortgage Loan Originators – Independent Contractors

This bill alters provisions of law relating to the licensing of mortgage loan originators to generally require the licensing of independent contractors as mortgage loan originators (instead of as mortgage lenders). An independent contractor may be issued a license and act as a mortgage loan originator only if the independent contractor is not engaged by more than one “sponsor” in the State. The bill defines a “sponsor” as a mortgage lender, or a person exempt from licensing to act as a mortgage lender, who employs (or exclusively engages) an individual to act as a mortgage loan originator in the State. A sponsor of a mortgage loan originator must, at all times, reasonably and adequately supervise the activities of the mortgage loan originator that are conducted within the scope of the mortgage loan originator’s employment (or exclusive engagement). The Office of the Commissioner of Financial Regulation (OCFR) must adopt regulations to implement the bill.

Fiscal Summary

State Effect: The bill is not anticipated to materially affect special fund licensing revenues or expenditures as independent contractors working as mortgage loan originators generally have to be licensed as mortgage lenders under current law. OCFR can adopt the required regulations with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A mortgage loan originator is an individual who for compensation or gain, or in the expectation of compensation or gain, takes a loan application or offers or negotiates the terms of a mortgage loan. Individuals *employed* as mortgage loan originators must be licensed by OCFR. *Independent contractors* may not be licensed as mortgage loan originators, but instead are required to be licensed as mortgage lenders (also by OCFR), unless otherwise exempt from those licensing requirements.

Among other requirements, an applicant for a mortgage loan originator license must complete 20 hours of Nationwide Multistate Licensing System and Registry approved pre-licensure education courses, which must include, among other topics, instruction in both national and Maryland mortgage-related law. Additionally, an applicant must achieve a passing grade on a specified written examination.

An initial license is valid for a one-year term and may be renewed annually. A renewal license requires at least eight hours of continuing education, as specified.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 307 (Senator Klausmeier) - Finance.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

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