



NAMB 2026 Legislative Priorities

The mortgage broker channel serves as a critical access point for millions of American homebuyers, particularly first-time buyers, self-employed borrowers, and those in underserved communities. NAMB's 2026 legislative priorities focus on removing unnecessary barriers, modernizing outdated regulations, ensuring market stability, and protecting the independent broker model that provides consumers with choice, competition, and personalized service.

We urge Congress to work with NAMB and the mortgage broker community to advance these priorities and strengthen homeownership opportunities for all Americans.

Loan Originator Compensation Reform *Modernize Regulations to Reflect Current Market Realities*

- **Talking Point:** Current loan originator compensation rules, established over a decade ago, are outdated and create unnecessary barriers to competition, consumer choice, and fair lending. These regulations need modernization to better serve today's borrowers while maintaining consumer protections.
- **Consumer Impact:** Overly restrictive compensation rules limit borrowers' access to diverse lending options and competitive pricing. When brokers cannot effectively compete with retail lenders on compensation structure flexibility, consumers lose the benefit of a truly competitive marketplace.
- **Industry Impact:** Brokers face competitive disadvantages compared to retail lenders who operate under different compensation standards. This creates an uneven playing field that drives independent originators out of the market, reducing consumer choice and competition.
- **Legislative Solution:**
 - **Modernize compensation rules** to create parity between brokers and retail lenders
 - **Eliminate Arbitrary Restrictions** that don't meaningfully protect consumers
 - **Allow reasonable compensation adjustments** that benefit borrowers
 - **Maintain strong disclosure requirements** to ensure transparency





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Flood Insurance and Natural Disaster Protection

Reauthorize and Reform the National Flood Insurance Program (NFIP)

- **Talking Point:** The NFIP is essential for ensuring affordable flood insurance in high-risk areas, but chronic lapses in authorization and rising premiums create uncertainty for homeowners, lenders, and the housing market. Long-term reauthorization with meaningful reforms is critical for market stability and disaster preparedness.
- **Consumer Impact:**
 - **Homeowners in flood-prone areas** face skyrocketing insurance premiums that make homeownership unaffordable
 - **NFIP lapses** prevent borrowers from closing on homes, derailing transactions and harming families
 - **Natural disasters are increasing** in frequency and severity, leaving more Americans vulnerable without adequate protection
- **Industry Impact:**
 - **Authorization lapses create immediate transaction delays** and cancellations, costing brokers and lenders business
 - **Lenders face increased risk exposure** without reliable flood insurance availability
 - **Rising premiums disproportionately affect communities** already struggling with housing affordability
 - **Market uncertainty** discourages investment in flood-prone regions
- **Legislative Solution:**
 - **Long-term NFIP reauthorization** to provide market stability
 - **Provide subsidies and assistance for low-to-moderate income borrowers** in high-risk areas
 - **Invest in flood mitigation infrastructure** to reduce long-term risk and costs
 - **Modernize flood mapping** to accurately reflect current risk
 - **Expand coverage options** and private market participation while maintaining affordability
 - **Create comprehensive natural disaster insurance framework** beyond flooding
 - **Support community resilience programs** to reduce future disaster impact





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1099 vs. W-2 Classification for Loan Originators

Restore Deductibility of Unreimbursed Business Expenses and Expand Statutory Employee Status

- **Talking Point:** The 2017 Tax Cuts and Jobs Act eliminated the ability of W-2 employees to deduct unreimbursed business expenses, creating significant financial hardship for mortgage loan originators (MLOs) who operate more like independent contractors than traditional employees. MLOs work almost exclusively on commission-based compensation and are largely responsible for substantial business expenses including advertising, licensing, transportation, continuing education, and marketing costs.
- **The Problem:** Prior to the 2017 tax law change, mortgage loan originators classified as W-2 employees could deduct unreimbursed business expenses on IRS Schedule 2106. The elimination of this deduction has been punitive to MLOs who must invest heavily in their own business development while being taxed as traditional employees who do not bear such costs.
- **Consumer Impact:**
 - **When MLOs face increased tax burdens without corresponding expense deductions,** these costs ultimately impact borrowers through reduced service availability or increased costs
 - **Financial pressure on loan originators reduces the number of professionals entering and staying in the industry,** limiting consumer choice
 - **Independent and small-firm originators who provide personalized service to underserved markets** are disproportionately affected
- **Industry Impact:**
 - **MLOs bear significant unreimbursed expenses** that are essential to conducting business:
 - Licensing fees in multiple states
 - Continuing education requirements
 - Technology and CRM systems
 - Marketing and advertising
 - Professional liability insurance
 - Office equipment and supplies
 - **The inability to deduct legitimate business expenses** creates an unfair tax burden compared to true independent contractors
 - **Mortgage Broker Businesses are confused** as to how to properly classify their MLOs due to state regulation
- **Comparison to Other Industries:** MLOs function nearly identically to full-time life insurance salespeople, who are already recognized as statutory employees under IRS code. Statutory employees are independent contractors treated as employees for tax withholding purposes but retain the ability to deduct business-related expenses.





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1099 vs. W-2 Classification for Loan Originators

Restore Deductibility of Unreimbursed Business Expenses and Expand Statutory Employee Status

- **Current Statutory Employee Categories Include:**
 - Agent-drivers or commission-drivers who distribute food and beverage products
 - Full-time life insurance salespeople (nearly identical job function to MLOs)
 - Home workers performing work to specifications with furnished materials
 - Traveling or city salespeople engaged full-time in solicitation of orders
- **Legislative Solutions:**
 - **Option 1 - Expand Statutory Employee Status (PREFERRED):**
 - **Amend IRS Code to include Mortgage Loan Originators as Statutory Employees**, placing them in the same category as full-time life insurance salespeople
 - **This would allow MLOs to deduct legitimate business-related expenses** while maintaining employee status for withholding purposes
 - **Recognizes that MLOs function as commission-based professionals** with substantial unreimbursed business expenses
 - **Provides parity with similar professions already granted statutory employee status**
 - **Option 2 - Restore Schedule 2106 Deductions for MLOs:**
 - **Reinstate the ability for commission-based MLOs to deduct unreimbursed employee business expenses** on Schedule 2106
 - **Create a carve-out specifically for mortgage professionals who work on commission** and bear substantial business development costs
 - **Set reasonable thresholds to ensure the deduction applies** to legitimate business expenses
 - **Option 3 - Create MLO-Specific Tax Deduction:**
 - **Establish a standard or itemized deduction specifically for mortgage loan originators** to account for mandatory licensing, education, and business development expenses
 - **Provide above-the-line deduction** to ensure benefit regardless of whether taxpayer itemizes
- **Why This Matters:** MLOs are commission-based professionals who invest heavily in their own business development and community, professional credentials, and client relationships. Current tax policy treats them as traditional salaried employees while requiring them to bear business expenses typical of independent contractors. This inequity creates financial hardship, drives professionals from the industry, and ultimately reduces consumer access to mortgage services. Given that life insurance salespeople—who perform remarkably similar functions—already enjoy statutory employee status with expense deductibility, extending the same treatment to MLOs is both logical and fair.





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