

CO-SPONSORSHIP MEMORANDUM

To: All Legislators

From: Representative Robert Brooks; Senator Rob Stafsholt

Date: Tuesday, May 20, 2025

Re: Co-sponsorship of LRB-2780—relating to: the minimum net worth requirement for licensed mortgage brokers

Deadline: Tuesday, June 3, 2025

A mortgage broker is a licensed financial professional who acts as an intermediary between borrowers and lenders in the mortgage loan process. They work on behalf of the borrower to find the best mortgage loan options available from a variety of lenders, including banks, credit unions, and mortgage companies. Mortgage brokers gather necessary financial information from the borrower and then present the aforementioned to potential lenders in an effort to secure the most favorable loan terms, interest rates, and conditions for the borrower. By leveraging their knowledge of the mortgage market and relationships with multiple lenders, mortgage brokers can help borrowers navigate the complexities of obtaining a mortgage and make more informed decisions.

Enacted in 2007, Wisconsin currently has one of the highest mortgage broker net worth requirements, at \$100,000. This is a prerequisite for an individual to obtain a mortgage broker license. In comparison, the neighboring states of Minnesota and Iowa have no net worth requirement. Additionally, protection from financial harm is provided through Wisconsin's requirement to maintain a surety bond in the amount of \$120,000. More than fifty percent of states have net worth requirement for mortgage brokers.

Wisconsin's exorbitantly high net worth requirements leads to fewer mortgage brokerage companies doing business in the state. According to the Nationwide Mortgage Lending System, Wisconsin has roughly one thousand mortgage brokers, whereas Minnesota and

Michigan possesses one thousand six-hundred and two thousand four-hundred respectively.

Removing the mortgage broker net worth requirement would significantly benefit consumers by increasing the number of mortgage professionals available in local communities. This increase in local mortgage brokers would foster greater competition, leading to more personalized service and potentially better loan terms for homebuyers. With more brokers operating locally, consumers would have the advantage of choosing from a wider array of mortgage products tailored to their unique financial situations. Additionally, the presence of more brokers can enhance financial literacy and awareness among Wisconsinites, ensuring they make informed decisions when purchasing homes. Ultimately, this shift would contribute to a healthier, more dynamic housing market that promotes homeownership.

LRB-2780, quite simply places Wisconsin in parity with several of its Midwestern neighbors by eliminating the net worth requirement for mortgage brokers.

If you would like to be added as a co-sponsor, please respond to this email or contact Rep. Brooks' office at [608-237-9159] or Senator Stafsholt's office at [608-266-7745]. Co-sponsors will be added to the Assembly and Senate versions of this legislation, unless otherwise requested.

Analysis by the Legislative Reference Bureau

Under current law, a person may not act as a mortgage broker unless the person is licensed by the Division of Banking in the Department of Financial Institutions. A mortgage broker is a person who, among other activities, assists others, for compensation, in obtaining or applying for loans but does not make underwriting decisions or close loans. Currently, an applicant for a mortgage broker license must, among other things, submit evidence of a minimum net worth of \$100,000. This bill repeals the minimum net worth requirement for mortgage broker licensure.