

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4471-02
Bill No.: SB 1043
Subject: Banks and Financial Institutions; Consumer Protection; Credit and Bankruptcy;
Mortgages and Deeds
Type: Original
Date: April 10, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Department of Economic Development - Division of Finance** and **Division of Credit Unions** and the **Office of Secretary of State - Administrative Rules Division** stated this proposal would have no fiscal impact on their respective agencies.

Officials from the Office of Attorney General did not respond to a request for fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2007	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Under the proposed legislation, lenders may not encourage nonpayment of existing debts in connection with the closing of a home loan that refinances portions of the existing debt. Lenders may not affect appraiser's independent judgement with respect to the value of real estate covered by a home loan or is being offered as security in an application for a home loan. In addition, lenders may not leave any blanks in any loan document, to be filled in after the borrower signs the documents and if the discussion between the borrower and the lender is in a language other than English, the lender must provide a copy, free of charge, of all disclosures in the language in which the discussion was primarily conducted.

This proposal bars the lender from allowing advance collection of premiums for life or health insurance, or other fees in connection with a home loan. The lender may not knowingly refinance an existing home loan when the new loan does not have tangible benefit to the borrower. This proposal provides restrictions on charging late payment fees.

High-cost home loans shall not contain provisions allowing lenders to accelerate the loan upon their sole discretion. Amounts of compensation paid to a mortgage broker must be disclosed to the borrower no later than three days prior to closing.

The proposal places restrictions on high-cost home loans pertaining to prepayment penalties, interest increases after default, payments of contractors under the loan, inability to make payments, and mandatory arbitration. The proposal also includes disclosure requirements of and procedures for curing high-cost home loans.

Lenders who violate the provisions of this proposed legislation are liable to the borrower for actual, statutory, and punitive damages along with injunctive, declaratory and other equitable relief.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

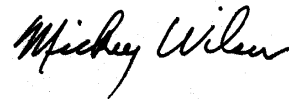
SOURCES OF INFORMATION

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Office of State Courts Administrator
Office of Economic Development
Division of Finance
Division of Credit Unions
Office of Secretary of State
Administrative Rules Division

NOT RESPONDING

Office of Attorney General

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 10, 2006