

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1141-02
Bill No.: SB 360
Subject: Banks and Financial Institutions; Boards, Commissions, Committees, Councils;
 Bonds, Surety; Credit Unions; Licenses, Professional; Mortgages and Deeds
Type: Original
Date: March 17, 2009

Bill Summary: Regulates residential mortgage brokers and loan originators.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Division of Finance	(\$28,885)	\$37,197	\$27,517
Total Estimated Net Effect on <u>Other</u> State Funds	(\$28,885)	\$37,197	\$27,517

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Division of Finance	5	5	5
Total Estimated Net Effect on FTE	5	5	5

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume the proposal will not fiscally impact their organization.

Officials from the **Office of Attorney General (AGO)** assume any potential costs arising from this proposal can be absorbed with existing resources, but the AGO may need to request additional appropriations to handle the increase in workload if multiple cases arise from this proposal.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS realizes this is a small amount and does not expect that additional funding would be required to meet these costs. The SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of that the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state the Division of Finance estimates that it will be responsible for licensing between 8,000-10,000 loan originators annually. The Division of Finance will have to determine whether or not the loan originator has met the minimum standards for licensing which includes never having had a revocation of loan originator license, never having had a felony conviction involving an act of fraud, dishonesty, or a breach of trust, or money laundering (no other types of felonies seven years prior to application), demonstration of financial responsibility, completing pre-licensing education, passing a written test and has met either a minimum net worth or surety bond requirement. The Division of Finance is estimating it will need five (5) additional FTE to handle the new licensing requirements, including two (2) Examiners to review and process applications and complaints (\$62,638 per FTE annually), two (2) Senior Office Support Assistants to process licenses and related correspondence (\$27,564 per FTE annually), and one (1) Staff Attorney to provide legal advice, assist with complaint resolution, and handle license appeals and administrative action procedures (\$70,000 annually).

A one-time request of \$74,000 for Missouri's portion of the development cost of the licensing system is included. It will be more efficient to pay a one-time development cost than to hire an outside vendor or add additional staff to develop the system.

Oversight notes the DIFP's proposed costs for this fiscal note are already included in the Governor's Recommended Budget for DIFP.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
DIVISION OF FINANCE FUND			
<u>Income - DIFP</u>			
License and incidental fees	\$450,000	\$450,000	\$450,000
<u>Costs - DIFP</u>			
Personal service (5.0 FTE)	(\$250,404)	(\$263,081)	(\$269,658)
Fringe benefits	(\$118,141)	(\$124,122)	(\$127,225)
Equipment and expense	(\$110,340)	(\$25,600)	(\$25,600)
Total <u>Cost</u> - DIFP	<u>(\$478,885)</u>	<u>(\$412,803)</u>	<u>(\$422,483)</u>
FTE Change	5.0 FTE	5.0 FTE	5.0 FTE
ESTIMATED NET EFFECT ON DIVISION OF FINANCE FUND	<u>(\$28,885)</u>	<u>\$37,197</u>	<u>\$27,517</u>
Estimated Net FTE Change for Division of Finance Fund	5.0 FTE	5.0 FTE	5.0 FTE
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could directly impact small business mortgage loan originator businesses due to the licensing provisions.

FISCAL DESCRIPTION

This proposal requires that individuals acting as mortgage loan originators for residential property be licensed. Mortgage loan originators must also be employed, act under the supervision of a Missouri licensed residential mortgage broker, and register with the National Mortgage Licensing System and Registry "NMLSR". These requirements are not effective until July 31, 2010.

Independent contractor loan processors or underwriters for residential real estate must also be licensed as mortgage loan originators, have a unique identifier issued by NMLSR, and certify annually to the Director of the Division of Finance that they will comply with requirements applicable to mortgage loan originators.

FISCAL DESCRIPTION (continued)

Non-federally insured credit unions which employ loan originators must register the loan originators with the NMLSR.

The director of the Division of Finance is authorized to establish licensing rules or regulations for mortgage loan originator licensing. The director is authorized to establish the application form, and enter into relationships and contracts with the NMLSR to collect and maintain records and process fees. The director is also required to establish a process for mortgage loan originators to challenge information entered into NMLSR.

An applicant for licensing as a mortgage loan originator must furnish NMLSR with their fingerprints, personal history, and authorize NMLSR to get their credit report and information related to any administrative, civil, or criminal findings by any governmental agency. Residential mortgage brokers subject to this proposal must also submit reports to the NMLSR.

The director shall not issue a mortgage loan originator license to anyone, unless the director finds that the applicant: 1) has never had a mortgage loan originator license revoked in any governmental jurisdiction, 2) has not been convicted of certain felonies, or any felony in the last seven years, 3) has demonstrated financial responsibility, character, and fitness for licensing, 4) has completed pre-licensing education requirements, which include at least twenty hours of NMLSR approved courses in specific areas, 5) has passed a NMLSR written test, and 6) met a surety bond requirement.

The director is authorized to deny licenses to applicants, discipline licensees, order restitution, impose fines, issue cease and desist orders, and order other affirmative action as the director deems necessary. Letters denying or declining to renew a license may be appealed to the residential mortgage board pursuant to the Missouri Administrative Procedure Act. All other matters presenting a contested case involving a licensee may be heard by the director pursuant to the Missouri Administrative Procedure Act.

The director may promulgate rules or regulations with respect to the requirements of the surety bonds. Provisions regarding the amount of the bond and filing of the bond are included.

The director has the authority to conduct investigations and examinations. The director's investigatory powers and certain actions which would violate the proposal are specified. The director is required to report violations and other relevant information to the NMLSR.

Residential mortgage loan brokers who are licensed by the director are required to report each mortgage loan originator employed under their supervision to the director and report any

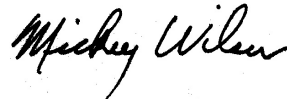
FISCAL DESCRIPTION (continued)

apparent violations to the director within ten days of detection. The director can grant waivers of the residential mortgage loan broker licensing requirement.

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

Office of Attorney General
Office of State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration
Office of Secretary of State



Mickey Wilson, CPA
Director
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