

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1152-04
Bill No.: HCS for HB 382
Subject: Banks and Financial Institutions; Housing; Licenses - Professional; Insurance
 Dept.
Type: Original
Date: March 10, 2009

Bill Summary: Establishes a mortgage loan originator licensing system and modifies provisions relating to mortgage brokers.

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** 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 the 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 (Finance) estimates that it will be responsible for licensing between 8,000-10,000 loan originators annually and is estimating annual licensing revenues of \$450,000 (9,000 licensees X \$50). 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 meeting either a minimum net worth or surety bond requirement. Finance is estimating it will need five (5) additional FTE to handle the new licensing requirements, which includes 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 a 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 rather than 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 | <u>(\$110,340)</u> | <u>(\$25,600)</u> | <u>(\$25,600)</u> |
| Total <u>Cost - DIFP</u> | <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 repeals the Residential Mortgage Brokers License Act and establishes in its place the Missouri Secure and Fair Enforcement or Mortgage Licensing and Residential Mortgage Brokers Licensing Act. Its main provisions, the proposal: (1) Requires an individual engaging in the business of a mortgage loan originator to be licensed, employed, and acting under the supervision of a single, Missouri-licensed residential mortgage broker, except certain specified individuals. Each licensed mortgage loan originator must register with and maintain a valid unique identifier issued by the Nationwide Mortgage Licensing System and Registry (NMLSR);

FISCAL DESCRIPTION (continued)

(2) Requires an independent contractor who is engaged in the activities of a loan processor or underwriter for a Missouri residential real estate loan to be licensed and maintain a valid unique identifier issued by the NMLSR; (3) Authorizes the division director to establish relationships or contracts with the NMLSR or other entities designated by the NMLSR to collect and maintain records and process fees related to licensees or other persons subject to the proposal; (4) Prohibits the division director from issuing or renewing a mortgage loan originator license until he or she makes, at a minimum, the specific findings related to the applicant; (5) Requires the division director to establish a process whereby mortgage loan originators can challenge information entered into the NMLSR by the division director; (6) Allows the division director to deny, suspend, revoke, condition, or decline to renew a licence for violations against the proposal or for withholding information or making material misstatements in a license or renewal application. The division director can order restitution and impose fines on any person violating the provisions of the proposal; and (7) Authorizes the division director to conduct investigations and examinations regarding compliance with the provisions of the proposal.

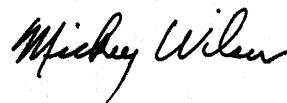
The provisions regarding Section 443.777.1 become effective July 31, 2010, or a later date approved by the Secretary of the United States Department of Housing and Urban Development.

The proposal contains an emergency clause.

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



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Director
March 10, 2009

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