

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1955-02
Bill No.: Perfected SB 538
Subject: Banks & Financial Institutions; Bonds–Surety; Department of Economic Development; Licenses–Professional; Mortgages & Deeds; Savings & Loan
Type: Original
Date: March 29, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Division of Finance Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Economic Development–Division of Finance (DOF)** assume the proposal corrects technical errors, eliminates surplusage, and makes clarifications. Additionally, the proposal allows brokers to file a bond in lieu of providing a certified audit. DOF assumes it may need an Examiner (1 FTE at \$40,000 per year) and a part-time Secretary (0.5 FTE at \$21,000 per year) to carry out the examination duties added under the act. Total costs of \$67,617 in FY 2002; \$78,847 in FY 2003; and \$80,857 in FY 2004 would be offset by the Division’s ability to set licensing fees as needed.

Officials with the **Department of Economic Development–Divisions of Credit Unions**, the **Department of Insurance**, and the **Office of the Secretary of State** assume the proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
DIVISION OF FINANCE FUND			
<u>Revenues–DOF</u>			
Increased Licensing Fees	\$67,617	\$78,847	\$80,857
<u>Costs–DOF</u>			
Personal Service (1.5 FTE)	(\$43,136)	(\$53,057)	(\$54,383)
Fringe Benefits	(\$14,377)	(\$17,684)	(\$18,126)
Expense & Equipment	<u>(\$10,104)</u>	<u>(\$8,106)</u>	<u>(\$8,348)</u>
<u>Totals Costs–DOF</u>	(\$67,617)	(\$78,847)	(\$80,857)
 ESTIMATED NET EFFECT TO			
DIVISION OF FINANCE FUND			
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would allow mortgage brokers to substitute a surety bond for the required annual audit. It is possible that some brokers will be able to obtain the bond at a lower cost than the audit. Also, some CPA firms currently providing the required audit services for brokers likely may be classified as small businesses, and may be adversely affected by the proposal.

DESCRIPTION

This act allows licensed residential mortgage brokers the option of providing a \$100,000 surety bond or \$100,000 irrevocable letter of credit instead of an annual audit to the Director of the Division of Finance. Also, the act removes the requirement for "probable cause" for periodic examinations of mortgage brokers.

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

Department of Economic Development
 Division of Finance
 Division of Credit Unions
Department of Insurance
Office of the Secretary of State



Jeanne Jarrett, CPA
Director

March 29, 2001