

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2663-02
Bill No.: SB 728
Subject: Business and Commerce: Licenses - Professional; Property, Real and Personal
Type: Original
Date: March 5, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$0	\$0	\$0
Residential Mortgage Licensing 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 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Department of Economic Development - Division of Finance (DED-FIN)**, the current law does not require the licensing of persons who work as employees of mortgage brokering companies nor does it require classroom education and testing to act as a broker for a company nor does it require continuing education. DED-FIN has 380 mortgage broker companies licensed at present and believe it would be reasonable to estimate that these companies each have an average of five employees serving as brokers who would, assuming this proposal becomes law, need to get classroom training and take a test to become licensed and would be obliged to undergo continuing professional education to stay licensed. This would require many times the present number of background checks and maintenance of a greater volume of records that at present. DED-FIN estimates that, at a minimum, this proposal would require the services of an additional Clerk Typist III with the salary, costs, equipment and benefits totaling approximately \$30,000 annually. Since the broker area is self-funding through license fees, DED-FIN assumes the additional license fees will equal costs.

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Economic Development, Professional Licensing Boards (Mortgage Banking) could require as many as 3 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$185 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
RESIDENTIAL MORTGAGE LICENSING FUND			
<u>Income</u> - Division of Finance			
Licensing Fees	\$28,487	\$30,629	\$31,406
<u>Cost</u> - Division of Finance			
Personal Costs 1 FTE	(\$17,083)	(\$21,013)	(\$21,538)
Fringe Benefits	(\$5,825)	(\$7,165)	(\$7,344)
Equipment and Expense	(\$5,579)	(\$2,451)	(\$2,524)
Total <u>Costs</u> - Division of Finance	(\$28,487)	(\$30,629)	(\$31,406)
ESTIMATED NET EFFECT ON RESIDENTIAL MORTGAGE LICENSING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses would be fiscally impacted by costs associated with licensing requirements, fees, and continuing education.

DESCRIPTION

This proposed legislation has the following provisions:

- (1) Requires that any rules promulgated by the Director of the Division of Finance to administer the Residential Mortgage Brokers License Act comply with the provisions of the act and revokes the director's rulemaking authority if any of the General Assembly's powers to delay or refuse these rules are held unconstitutional;
- (2) Requires the president of the Missouri Association of Mortgage Professionals to provide names of potential candidates for the Residential Mortgage Board to the director;

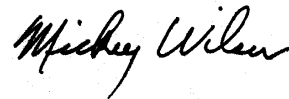
DESCRIPTION (continued)

- (3) As of January 1, 2003, requires applicants to provide proof of completion of the residential mortgage license certification course and renewal applicants to provide evidence of completion of 24 hours of continuing education; and
- (4) As of January 1, 2003, increases the required minimum net worth of licensees from \$25,000 to \$50,000.

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

SOURCES OF INFORMATION

Department of Economic Development
Division of Finance
Office of Secretary of State
Administrative Rules Division



Mickey Wilson, CPA
Acting Director
March 5, 2002