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F I S C A L   I M P A C T   R E P O R T

SPONSOR: Martinez DATE TYPED: 02/21/01 HB 308/aHJC

SHORT TITLE: Amend Mortgage Loan Company & Loan Broker Act SB

ANALYST: Valdes

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	**FY02**			
	$ 100.0	$ 100.0	Recurring	General Fund

(Parenthesis ( ) Indicate Revenue Decreases)

SOURCES OF INFORMATION

Financial Institutions Division, Regulation and Licensing Department

SUMMARY

Synopsis of HJC Amendment

This amendment initiates some technical clean-up from the original bill and adds language in the "penalties" section which states, "civil and criminal penalties are in addition to any remedies available at common law."

Synopsis of Original Bill

House Bill 308 amends the Mortgage Loan Company and Loan Broker Act to accomplish the following purposes:

- Bring a majority of mortgage practitioners under the licensing provisions of the Act.
- Improve consumer protection by bringing the majority of practitioners under licensure, bonding and regulatory oversight.
- Add reasonable penalties for violations of the law.
- Reduce certain unnecessary administrative provisions.

Significant Issues

This bill will remove the provisions in current statutes which exempt certain persons and entities from registering under the Mortgage Loan Company and Loan Broker Act. Financial Institutions Division records show approximately 1,050 mortgage companies at December 31, 2000, of which over half are presently exempted under this act. The division has no jurisdiction over exempt companies. A practitioner may qualify for exemption if 90 percent or more of the mortgage transactions originated will be sold to institutional investors. The removal of this exemption will require all licensees to be supervised.

According to the division, amending the broker fee structure will allow mortgage companies to operate efficiently in the open market by charging fees that are common as an industry practice.

Existing statutes are amended by this bill to require all licensees to comply with applicable federal consumer lending laws.

The bill adds a new section for enforcement of the law. This provision will allow the division to take actions against mortgage licensees ranging from administrative actions to civil money penalties.

PERFORMANCE IMPLICATIONS

Additional registrations and consumer complaints could impact days required to resolve complaints and processing time for applications received by the division.

FISCAL IMPLICATIONS

The fiscal impact of this bill is unknown. It will generate additional revenue in the range of $100.0 according to department estimates, based on additional registration fees and possible administrative penalties.

There is no appropriation in this bill.

ADMINISTRATIVE IMPLICATIONS

Previously exempt mortgage companies and brokers will be subject to the jurisdiction of the division within the provisions of this bill. Consequently, the division will mediate and investigate consumer complaints on approximately 500 additional licensees. This will not require any additional FTEs.

TECHNICAL ISSUES

The division recommends adding “Section 2" to the language on page 21, lines 2 and 3, otherwise it reads that all mortgage companies have to register, in conflict with the sunset date of the exemption in section 5H, beginning on page 7, line 7 and ending on page 9, line 6.

MV/ar