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# FISCAL IMPACT REPORT

SPONSOR:	Sanchez, M		DATE TYPED:	02/17/01	HB	
SHORT TITLE:		Amend Mortgage Loan Company & Loan Broker SB Act			SB	199
				ANAL	Valdes	

## **APPROPRIATION**

Appropriatio	on Contained	Estimated Additional Impact		Recurring	Fund
FY01	FY02	FY01	FY02	or Non-Rec	Affected
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in The General Appropriation Act

## SOURCES OF INFORMATION

**Regulation and Licensing Department** 

## SUMMARY

#### Synopsis of Bill

Senate Bill 199 amends the Mortgage Loan Company and Loan Broker Act to bring the majority of mortgage practitioners under the registration provisions of the Act. It will improve consumer protection by bringing these practitioners under regulatory oversight and will add reasonable penalties for violations of the law. It will reduce certain unnecessary administrative burdens.

## Significant Issues

The Financial Institutions Division of the Regulation and Licensing Department mediates complaints between consumers and financial institutions, the majority being mortgage related. As of December 31, 2000, there were 1,050 mortgage companies of which over half had asserted the "6H" exemption from the Mortgage Act. The Financial Institutions Division has no jurisdiction over these exempted mortgage companies. A mortgage lender may qualify for a 6H exemption if 90 percent or more of the mortgage transactions originated will be sold to institutional investors which include financial institutions, federal government agencies or municipalities. The removal of this exemption will require all licensees to be supervised by the Financial Institutions Division.

This bill will allow mortgage companies to operate efficiently in the open market by charging the fees that are common as an industry practice.

# Senate Bill 199 -- Page 2

New provisions in the bill require licensees to comply with all applicable federal consumer lending laws. The bill also empowers the division to take actions against mortgage licensees ranging from administrative actions to civil money penalties.

# **PERFORMANCE IMPLICATIONS**

Additional mediation responsibilities will require additional performance in complaint resolution.

## FISCAL IMPLICATIONS

No impact.

# ADMINISTRATIVE IMPLICATIONS

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

# **TECHNICAL ISSUES**

The Financial Institutions Division recommends, "Add section 2 on page 3, lines 16 through 19, to the provision 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."

MFV/njw