

BILL ANALYSIS

C.S.H.B. 2783
By: Solomons
Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Department of Savings and Mortgage Lending licenses and regulates mortgage brokers and loan officers. As part of its regulatory duties, the Department of Savings and Mortgage Lending informs the Legislature when licensing statutes need revisions.

C.S.H.B. 2783 amends the Finance Code to provide for the regulation of mortgage brokers and financial businesses by the Department of Savings and Mortgage Lending.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Finance Commission in SECTION 6 of this bill.

ANALYSIS

C.S.H.B. 2783 amends the Finance Code to clarify the licensing of loan officers by the Department of Savings and Mortgage Lending. C.S.H.B. 2783 modifies the seller finance exemption to exclude an owner of real property who in a 12-consecutive-month period makes no more than five mortgage loans to purchasers of the property. C.S.H.B. 2783 clarifies the licensing of an individual as a mortgage broker and adds educational requirement for loan officers. C.S.H.B. 2783 provides for licensing of companies including corporations, limited liability companies and limited partnerships. C.S.H.B. 2783 provides for denial of renewal if the Commissioner becomes aware of a fact that would have been grounds for denial of an original license.

C.S.H.B. 2783 requires a mortgage broker doing business under an assumed name to file within 10 days a copy of an assumed name certificate and pay a \$25 fee for each assumed name. C.S.H.B. 2783 requires a business entity licensed under Chapter 156 to notify the Department of Savings and Mortgage Lending Commissioner of any changes of its designated representative and the Commissioner may charge a \$25 fee for each change of a designated representative.

C.S.H.B. 2783 amends the Finance Code to provide for Finance Commission to adopt rules to establish minimum standards for courses, approved course providers and approved course instructors and a fee not to exceed \$200 for the review and approval of each course not provided and approved by a duly organized trade association whose purpose is primarily to represent residential mortgage originators. The approval last for up to two years.

C.S.H.B. 2783 permits disciplinary action for a licensee who provides false information to the Commissioner during the course of an investigation or inspection. C.S.H.B. 2783 allows the Commissioner to suspend a person's license, following notice and opportunity for hearing, if the person is indicted or information is filed or returned alleging the person committed a criminal offense involving fraud, theft, or dishonesty. C.S.H.B. 2783 does not require a corporation, limited liability company or limited partnership to obtain a mortgage broker license before January 1, 2008.

EFFECTIVE DATE

September 1, 2007.

C.S.H.B. 2783 80(R)

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 2783 modifies the original bill by changing the seller finance exemption to exclude an owner of real property who in a 12-consecutive-month period makes no more than five mortgage loans to purchasers of the property. C.S.H.B. 2783 amends the original bill to allow the Finance Commission to adopt rules to establish a fee not to exceed \$200 for the review and approval of each course not provided and approved by a duly organized trade association whose purpose is primarily to represent residential mortgage originators. The approval lasts for up to two years. C.S.H.B. 2783 changes the original bill to allow the Commissioner to suspend a person's license, following notice and opportunity for hearing, if the person is indicted or information is filed or returned alleging the person committed a criminal offense involving fraud, theft, or dishonesty. C.S.H.B. 2783 does not require a corporation, limited liability company or limited partnership to obtain a mortgage broker license before January 1, 2008.