

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 2, 2007

TO: Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB716 by Solomons (relating to mortgage fraud; providing criminal penalties.), Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB716, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain from GENERAL REVENUE FUND 1	Probable (Cost) from INSURANCE MAINT TAX FEES 8042	Probable Revenue Gain from INSURANCE MAINT TAX FEES 8042
2008	(\$304,599)	\$304,599	(\$204,261)	\$204,261
2009	(\$269,994)	\$269,994	(\$188,112)	\$188,112
2010	(\$269,994)	\$269,994	(\$188,112)	\$188,112
2011	(\$269,994)	\$269,994	(\$188,112)	\$188,112
2012	(\$269,994)	\$269,994	(\$188,112)	\$188,112

Fiscal Year	Change in Number of State Employees from FY 2007
2008	8.0
2009	8.0
2010	8.0
2011	8.0
2012	8.0

## **Fiscal Analysis**

The bill would amend the Government Code relating to mortgage fraud by creating the residential mortgage fraud task force (task force) that is comprised of various agencies, including the Texas Real Estate Commission and the Texas Department of Insurance, and that is overseen by the Office of the Attorney General (OAG). The bill would require the task force to submit an annual report to the governor, lieutenant governor, and speaker of the House of Representatives that details the progress of agencies in accomplishing the mission of the task force. This bill would also require a person who determines or reasonably suspects fraudulent activity to report the information to an authorized governmental agency, as defined by the bill. The bill would require certain agencies to assist a prosecuting attorney in the investigation of an offense prescribed by the bill and authorize the OAG to prosecute an offense that involves mortgage fraud under certain circumstances.

The provisions of the bill would only apply on or after the effective date of the bill.

This bill would take effect September 1, 2007.

## **Methodology**

Based on information provided by the Texas Real Estate Commission (TREC), this analysis assumes that the TREC would receive an additional 40 mortgage fraud complaints, 20 each for real estate brokers and real estate appraisers.

It is estimated that TREC would have costs associated with receiving additional mortgage fraud cases. Based on the analysis of TREC, it is assumed that investigating these additional cases would necessitate additional resources at a cost of \$574,593 through 2009. TREC estimates costs for staff of \$195,560 for 5.0 FTEs in FY08 through FY12. These FTEs include 2.0 investigators, 2.0 legal assistants, and 1.0 attorney. Other operating expenses, travel, and rent are estimated at \$53,715 in FY08 and \$19,110 in FY09 through FY12. Estimated costs also include \$55,324 in FY08 through FY12 for associated benefits.

It is assumed TREC would assess or increase fees in an amount sufficient to recover any additional costs associated with implementing the provisions of the bill.

Based on information provided by the Texas Department of Insurance (TDI), this analysis assumes that an increase in mortgage fraud reports resulting from this bill will result in 12 new investigations per year.

Based on the analysis of TDI, it is assumed that these new investigations would necessitate additional resources at a cost to General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees of \$392,373 through 2009. TDI estimates costs for staff of \$127,605 for 3.0 investigators in FY08 through FY12. Travel, rent, and all other operating expenses are estimated at \$40,557 in FY08 and \$24,408 in FY09 through FY12. Estimated costs also include \$36,099 in FY08 through FY12.

This analysis assumes that all costs incurred in excess of revenues generated would be paid for from General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees from either existing fund balances or insurance maintenance tax revenues because TDI is required to generate revenues equivalent to its costs of operation under current law.

## **Technology**

It is assumed that there would be a one-time technology impact of \$10,105 to TREC and \$6,657 to TDI in fiscal year 2008 for the acquisition of computer equipment for the additional FTEs necessary to implement the provisions of this bill.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 329 Real Estate Commission, 405 Department of Public Safety, 450 Department of Savings and Mortgage Lending, 451 Department of Banking, 454 Department of Insurance, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department

**LBB Staff:** JOB, CL, JRO, MW, TGI