SENATE AMENDMENTS

2nd Printing

By: Solomons, Anchia H.B. No. 2783

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of certain persons involved in mortgage lending.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 156.002(10), Finance Code, is amended to read as follows:

(10) "Mortgage loan" means a debt against real estate secured by a [~~first-lien~~] security interest against one-to-four family residential real estate created by a deed of trust, security deed, or other security instrument.

SECTION 2. Section 156.201(b), Finance Code, is amended to read as follows:

(b) An individual may not act or attempt to act as a loan officer unless the individual at the time is:

(1) licensed under this chapter <u>and</u> [~~;~~

[~~(2)~~] sponsored by a licensed mortgage broker and acting for the mortgage broker; or

<u>(2)</u> [~~(3)~~] exempt under Section 156.202.

SECTION 3. Section 156.202, Finance Code, is amended to read as follows:

Sec. 156.202. EXEMPTIONS. This chapter does not apply to:

(1) any of the following entities or an employee of any of the following entities provided the employee is acting for the benefit of the employer:

(A) a bank, savings bank, or savings and loan association, or a subsidiary or an affiliate of a bank, savings bank, or savings and loan association;

(B) a state or federal credit union, or a subsidiary, affiliate, or credit union service organization of a state or federal credit union;

(C) an insurance company licensed or authorized to do business in this state under the Insurance Code;

(D) a mortgage banker registered under Chapter 157;

(E) an organization that qualifies for an exemption from state franchise and sales tax as a 501(c)(3) organization;

(F) a Farm Credit System institution; or

(G) a political subdivision of this state involved in affordable home ownership programs;

(2) an individual who makes a mortgage loan from the individual's own funds to a spouse, former spouse, or persons in the lineal line of consanguinity of the individual lending the money;

(3) an owner of real property who in any 12-consecutive-month period makes no more than five [~~makes a~~] mortgage loans [~~loan~~] to purchasers [~~a purchaser~~] of the property for all or part of the purchase price of the real estate against which the mortgage is secured; or

(4) an individual who:

(A) makes a mortgage loan from the individual's own funds;

(B) is not an authorized lender under Chapter 342, Finance Code; and

(C) does not regularly engage in the business of making or brokering mortgage loans.

SECTION 4. Section 156.203(c), Finance Code, is amended to read as follows:

(c) An application for a loan officer license must be accompanied by:

(1) an application fee in an amount determined by the commissioner not to exceed $275 [~~$175~~]; and

(2) a recovery fund fee as provided by Section 156.502.

SECTION 5. Sections 156.204(a) and (b), Finance Code, are amended to read as follows:

(a) To be eligible to be licensed as a mortgage broker as an individual, the individual [~~a person~~] must:

(1) be [~~an individual who is~~] at least 18 years of age;

(2) be a citizen of the United States or a lawfully admitted alien;

(3) maintain a physical office in this state and designate that office in the application;

(4) provide the commissioner with satisfactory evidence that the applicant satisfies one of the following:

(A) the person has received a bachelor's degree in an area relating to finance, banking, or business administration from an accredited college or university and has 18 months of experience in the mortgage or lending field as evidenced by

documentary proof of full-time employment as a mortgage broker or licensed loan officer with a mortgage broker or a person exempt under Section 156.202;

(B) the person is licensed in this state as:

(i) an active real estate broker under Chapter 1101, Occupations Code;

(ii) an active attorney; or

(iii) a local recording agent or insurance solicitor or agent for a legal reserve life insurance company under Chapter 21, Insurance Code, or holds an equivalent license under Chapter 21, Insurance Code; or

(C) the person has three years of experience in the mortgage lending field as evidenced by documentary proof of full-time employment as a licensed loan officer with a mortgage broker or a person exempt under Section 156.202;

(5) provide the commissioner with satisfactory evidence of:

(A) having passed an examination, offered by a testing service or company approved by the finance commission, that demonstrates knowledge of:

(i) the mortgage industry; and

(ii) the role and responsibilities of a mortgage broker; and

(B) compliance with the financial requirements of this chapter;

(6) not have been convicted of a criminal offense that the commissioner determines directly relates to the occupation of a

mortgage broker as provided by Chapter 53, Occupations Code;

(7) satisfy the commissioner as to the individual's good moral character, including the individual's honesty, trustworthiness, and integrity; and

(8) not be in violation of this chapter, a rule adopted under this chapter, or any order previously issued to the individual by the commissioner.

(b) A corporation, limited liability company, or limited partnership may not act as a mortgage broker unless the entity obtains a mortgage broker license. To be eligible for a mortgage broker license the entity must designate an individual licensed as a mortgage broker as its designated representative and pay an application fee in an amount to be determined by the commissioner not to exceed $175. The designated representative must be:

(1) if the entity is a corporation, an officer of the corporation;

(2) if the entity is a limited liability company, a manager of the limited liability company; or

(3) if the entity is a limited partnership:

(A) an individual who is a general partner;

(B) an officer of a general partner that is a corporation; or

(C) a manager of a general partner that is a limited liability company. [~~A mortgage broker may conduct business under a corporate structure, partnership, or any other business form or as an independent contractor for a corporation, partnership, or any other business entity. Before conducting~~

~~mortgage broker activities under, through, or for a corporation, partnership, or other business entity, a mortgage broker must notify the commissioner, in writing, of any corporate name, partnership name, assumed name, or any other name under, through, or for which the mortgage broker conducts activities for which a license is required under this chapter. The corporation, partnership, or other business entity under, through, or for which the mortgage broker conducts business is not required to be separately licensed as a mortgage broker provided that all individuals who perform mortgage broker activities are licensed as mortgage brokers or loan officers. The commissioner shall require proof of compliance with this subsection at the time the mortgage broker applies for and renews a license.~~]

SECTION 6. Section 156.208(i), Finance Code, as added by Chapter 1018, Acts of the 79th Legislature, Regular Session, 2005, is relettered as Subsection (j), Section 156.208, Finance Code, and amended to read as follows:

(j) [~~(i)~~] The commissioner may deny the renewal of a mortgage broker license or a loan officer license if:

(1) the mortgage broker or loan officer is in violation of this chapter, a rule adopted under this chapter, or any order previously issued to the individual by the commissioner; [~~or~~]

(2) the mortgage broker or loan officer is in default in the payment of any administrative penalty, fee, charge, or other indebtedness owed under this title; or

(3) during the current term of the license, the commissioner becomes aware of any fact that would have been grounds

for denial of an original license if the fact had been known by the commissioner on the date the license was granted.

SECTION 7. Section 156.211, Finance Code, is amended by adding Subsections (b-1), (b-2), and (b-3) to read as follows:

(b-1) Not later than the 10th day before a mortgage broker begins doing business under an assumed name, the mortgage broker shall file with the commissioner a copy of an assumed name certificate for each assumed name under which the mortgage broker intends to conduct business and pay a $25 registration fee for each assumed name. A loan officer may not conduct business under any assumed name that is not the registered assumed name of the sponsoring mortgage broker.

(b-2) A person licensed under this chapter must notify the commissioner not later than the 10th day after the date of any change of the person's name and pay to the commissioner a change of name fee of $25 for the issuance of an amended license certificate.

(b-3) A business entity licensed under this chapter shall notify the commissioner of any change of its designated representative. The commissioner may charge a fee of $25 for each change of a designated representative.

SECTION 8. Subchapter C, Chapter 156, Finance Code, is amended by adding Section 156.214 to read as follows:

Sec. 156.214. APPROVAL OF COURSES. (a) The finance commission may adopt rules establishing:

(1) minimum standards for courses, approved course providers, and approved course instructors; and

(2) a fee not to exceed $200 for the review and

approval of each course not provided and approved by a duly organized trade association the purpose of which is primarily to represent residential mortgage originators.

(b) An approval is for up to two years.

SECTION 9. Section 156.303, Finance Code, is amended by amending Subsection (a) and adding Subsection (j) to read as follows:

(a) The commissioner may order disciplinary action against a licensed mortgage broker or a licensed loan officer when the commissioner, after a hearing, has determined that the person:

(1) obtained a license, including a renewal of a license, under this chapter through a false or fraudulent representation or made a material misrepresentation in an application for a license or for the renewal of a license under this chapter;

(2) published or caused to be published an advertisement related to the business of a mortgage broker or loan officer that:

(A) is misleading;

(B) is likely to deceive the public;

(C) in any manner tends to create a misleading impression;

(D) fails to identify as a mortgage broker or loan officer the person causing the advertisement to be published; or

(E) violates federal or state law;

(3) while performing an act for which a license under

this chapter is required, engaged in conduct that constitutes improper, fraudulent, or dishonest dealings;

(4) entered a plea of guilty or nolo contendere to, or is convicted of, a criminal offense that is a felony or that involves fraud or moral turpitude in a court of this or another state or in a federal court;

(5) failed to use a fee collected in advance of closing of a mortgage loan for a purpose for which the fee was paid;

(6) charged or received, directly or indirectly, a fee for assisting a mortgage applicant in obtaining a mortgage loan before all of the services that the person agreed to perform for the mortgage applicant are completed, and the proceeds of the mortgage loan have been disbursed to or on behalf of the mortgage applicant, except as provided by Section 156.304;

(7) failed within a reasonable time to honor a check issued to the commissioner after the commissioner has mailed a request for payment by certified mail to the person's last known business address as reflected by the commissioner's records;

(8) paid compensation to a person who is not licensed or exempt under this chapter for acts for which a license under this chapter is required;

(9) induced or attempted to induce a party to a contract to breach the contract so the person may make a mortgage loan;

(10) published or circulated an unjustified or unwarranted threat of legal proceedings in matters related to the person's actions or services as a mortgage broker or loan officer,

as applicable;

(11) established an association, by employment or otherwise, with a person not licensed or exempt under this chapter who was expected or required to act as a mortgage broker or loan officer;

(12) aided, abetted, or conspired with a person to circumvent the requirements of this chapter;

(13) acted in the dual capacity of a mortgage broker or loan officer and real estate broker, salesperson, or attorney in a transaction without the knowledge and written consent of the mortgage applicant or in violation of applicable requirements under federal law;

(14) discriminated against a prospective borrower on the basis of race, color, religion, sex, national origin, ancestry, familial status, or a disability;

(15) failed or refused on demand to:

(A) produce a document, book, or record concerning a mortgage loan transaction conducted by the mortgage broker or loan officer for inspection by the commissioner or the commissioner's authorized personnel or representative;

(B) give the commissioner or the commissioner's authorized personnel or representative free access to the books or records relating to the person's business kept by an officer, agent, or employee of the person or any business entity through which the person conducts mortgage brokerage activities, including a subsidiary or holding company affiliate; or

(C) provide information requested by the

commissioner as a result of a formal or informal complaint made to the commissioner;

(16) failed without just cause to surrender, on demand, a copy of a document or other instrument coming into the person's possession that was provided to the person by another person making the demand or that the person making the demand is under law entitled to receive; [~~or~~]

(17) disregarded or violated this chapter, a rule adopted by the finance commission under this chapter, or an order issued by the commissioner under this chapter; or

(18) provided false information to the commissioner during the course of an investigation or inspection.

(j) On notice and opportunity for hearing, the commissioner may suspend a person's license under this chapter if an indictment or information is filed or returned alleging that the person committed a criminal offense involving fraud, theft, or dishonesty. The suspension continues until the criminal case is dismissed or the person is acquitted.

SECTION 10. The heading of Section 341.103, Finance Code, is amended to read as follows:

Sec. 341.103. REGULATION OF SAVINGS INSTITUTIONS AND LICENSED MORTGAGE BROKERS AND LOAN OFFICERS [~~ASSOCIATIONS~~].

SECTION 11. Section 341.103(a), Finance Code, is amended to read as follows:

(a) The savings and mortgage lending [~~loan~~] commissioner shall enforce this subtitle relating to the regulation of:

(1) state savings associations operating under this

subtitle;

(2) state savings banks operating under this subtitle; and

(3) persons licensed under Chapter 156.

SECTION 12. Section 342.051, Finance Code, is amended by adding Subsection (f) to read as follows:

(f) A mortgage broker licensed under Chapter 156 is not required to obtain a license under this chapter to make, negotiate, or transact a mortgage loan, as defined by Chapter 156.

SECTION 13. A corporation, limited liability company, or limited partnership is not required to obtain a mortgage broker license, as required by Section 156.204(b), Finance Code, as amended by this Act, to act as a mortgage broker before January 1, 2008.

SECTION 14. This Act takes effect September 1, 2007.

ADOPTED

MAY 2 2 2007

Secretary of the Senate

COMMITTEE AMENDMENT NO. 1 BY: _____

Amend H.B. No. 2783 (house engrossment) as follows:

(1) Insert the following appropriately numbered SECTIONS to the bill and renumber existing SECTIONS of the bill accordingly:

SECTION __. Subchapter C, Chapter 156, Finance Code, is amended by adding Section 156.2011 to read as follows:

Sec. 156.2011. PROVISIONAL LOAN OFFICER LICENSE. (a) An applicant for a loan officer license may be issued a provisional loan officer license as provided by this section only if the applicant:

(1) during the 20 months immediately preceding the application, has at least 18 months of experience as a loan officer employed by a person exempt from this chapter under Section 156.202; and

(2) meets the qualifications for a loan officer license, other than the educational and examination requirements.

(b) The commissioner shall use best efforts to issue the provisional loan officer license on or before the later of:

(1) the 10th business day after the date of receipt of a completed application; or

(2) the second business day after the date of receipt of the criminal background information required under Section 156.206 demonstrating that the applicant has no pending criminal charges and has not been convicted of a criminal offense.

(c) For purposes of Subsection (b)(2), a person is considered convicted as provided by Section 156.204(d).

(d) A provisional loan officer license is valid for 90

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days after the date the license is issued, except as provided by Subsection (e).

(e) The commissioner may revoke a provisional loan officer license if the commissioner discovers that the applicant has made a misrepresentation relating to the applicant's qualifications for a loan officer license, has violated this chapter, or does not meet the qualifications for a provisional loan officer license. The revocation of a provisional loan officer license is not subject to appeal.

(f) The finance commission by rule may impose a fee not to exceed $100 for an expedited issuance of a provisional loan officer license. The fee is nonrefundable and is in addition to the fee for the application for a regular loan officer license.

SECTION __. The changes in law made by Section 156.2011, Finance Code, as added by this Act, and Section 156.204, Finance Code, as amended by this Act, apply only to a loan officer or mortgage broker license for which any part of an application is submitted on or after September 1, 2007.

(2) In the recital to SECTION 5 of the bill (page 3, line 13), strike "Sections 156.204(a) and (b)," and substitute "Sections 156.204(a), (b), (c), and (e),".

(3) In SECTION 5 of the bill, in Subdivision (7) of amended Section 156.204(a), Finance Code (page 5, line 4), strike "; and" and substitute "; [~~and~~]".

(4) In SECTION 5 of the bill, in Subdivision (8) of amended Section 156.204(a), Finance Code, between "commissioner" and the period (page 5, line 7), insert the following:

; and

(9) provide the commissioner with satisfactory evidence that:

(A) if the person has not been previously licensed as a mortgage broker or a loan officer under this subchapter, the person has completed 90 classroom hours of education courses approved by the commissioner under this section; or

(B) if the person has not been previously licensed as a mortgage broker under this subchapter but has been licensed as a loan officer under this subchapter, the person has successfully completed an additional 30 classroom hours of education courses approved by the commissioner under this section

(5) In SECTION 5 of the bill, following amended Section 156.204(b), Finance Code (page 6, between lines 13 and 14), add the following:

(c) To be eligible to be licensed as a loan officer a person must:

(1) be an individual who is at least 18 years of age;

(2) be a citizen of the United States or a lawfully admitted alien;

(3) designate in the application the name of the mortgage broker sponsoring the loan officer;

(4) provide the commissioner with satisfactory evidence that the applicant satisfies one of the following:

(A) the person meets one of the requirements described by Subsection (a)(4) and has [~~,~~

[~~(B) the person has~~] successfully completed 60 classroom [~~30~~] hours of education courses approved by the commissioner under this section;

(B) [~~(C)~~] the person has 18 months of experience as a loan officer as evidenced by documentary proof of full-time

employment as a loan officer with [~~a mortgage broker or~~] a person exempt under Section 156.202 and has successfully completed 30 classroom hours of education courses approved by the commissioner under this section; or

(C) [~~(D)~~] for applications received prior to January 1, 2000, the mortgage broker that will sponsor the applicant provides a certification under oath that the applicant has been provided necessary and appropriate education and training regarding all applicable state and federal law and regulations relating to mortgage loans;

(5) not have been convicted of a criminal offense that the commissioner determines directly relates to the occupation of a loan officer as provided by Chapter 53, Occupations Code;

(6) satisfy the commissioner as to the individual's good moral character, including the individual's honesty, trustworthiness, and integrity;

(7) provide the commissioner with satisfactory evidence of having passed an examination, offered by a testing service or company approved by the finance commission, that demonstrates knowledge of:

(A) the mortgage industry; and

(B) the role and responsibilities of a loan officer; and

(8) not be in violation of this chapter, a rule adopted under this chapter, or any order previously issued to the individual by the commissioner.

(e) The education courses required for a mortgage broker or loan officer license under Subsection (a)(9) or (c)(4) [~~(c)(4)(B)~~] must cover ethics, the Real Estate Settlement

1 Procedures Act of 1974 (12 U.S.C. Section 2601 et seq.), the
2 Truth in Lending Act (15 U.S.C. Section 1601 et seq.), the Equal
3 Credit Opportunity Act (15 U.S.C. Section 1691 et seq.), and the
4 provisions of this chapter.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 18, 2007

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

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

IN RE: **HB2783** by Solomons (Relating to the regulation of certain persons involved in mortgage lending.), **Committee Report 2nd House, As Amended**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2783, Committee Report 2nd House, As Amended: 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	Change in Number of State Employees from FY 2007
2008	($434,855)	$434,855	9.0
2009	($380,855)	$380,855	9.0
2010	($380,855)	$380,855	9.0
2011	($380,855)	$380,855	9.0
2012	($389,855)	$389,855	9.0

Fiscal Analysis

The bill would amend the Finance Code relating to the regulation of mortgage brokers by requiring a mortgage broker (broker) to file a copy of an assumed name certificate for each name under which the broker conducts business with the Department of Savings and Mortgage Lending (SML) and require a broker or licensed entity regulated under the provisions of this bill to provide notification of any name change to SML. The bill would authorize the SML commissioner to assess certain fees related to the costs of implementing the provisions of the bill and authorize the commissioner to suspend a license under certain conditions. The bill would require that the application fee for a loan officer license not exceed $275. The bill would authorize the finance commission to adopt rules related to mortgage broker courses, including assessing fees related to the costs for providing these courses. The bill would

require SML to issue a provisional license within 10 days of receiving a completed application or within 2 days of receiving certain criminal background information and authorize the finance commission to impose a fee not to exceed $100 for an expedited issuance of a provisional loan officer license.

This bill would take effect September 1, 2007.

Methodology

It is estimated that the Department of Savings and Mortgage Lending (SML) would have a cost associated with implementing the provisions of the bill. Based on the analysis of SML, it is assumed that compiling and tracking this additional information would necessitate additional resources at a cost of $815,710 through 2009.

SML also estimates costs for staff of $288,803 each year for 7.0 Administrative Assistant II positions, 1.0 Administrative Assistant IV position, and 1.0 Program Specialist in fiscal year 2008 through fiscal year 2012. Other operating expenses and equipment are estimated at $63,850 in fiscal year 2008, $9,850 each fiscal year from 2009 through fiscal year 2011, and $18,850 in fiscal year 2012. Travel costs are estimated at $500 each fiscal year from 2008 through fiscal year 2012. Estimated costs also include $81,702 each fiscal year from 2008 through fiscal year 2012 for associated benefits.

This analysis assumes that any increased costs resulting from implementing the provisions of the bill would be offset by an equal increase in fee revenue generated because SML is required by statute to adjust fees to generate revenue sufficient to cover all direct and indirect costs.

Technology

It is assumed that there would be a technology impact of $9,000 in fiscal year 2008 and fiscal year 2012 to provide and upgrade computers for FTEs related to implementing the provisions of this bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending

LBB Staff: JOB, JRO, MW, TGl

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 16, 2007

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

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

IN RE: **HB2783** by Solomons (Relating to the regulation of certain persons involved in mortgage lending.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2783, As Engrossed: 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	Change in Number of State Employees from FY 2007
2008	($90,207)	$90,207	2.0
2009	($78,207)	$78,207	2.0
2010	($78,207)	$78,207	2.0
2011	($78,207)	$78,207	2.0
2012	($80,207)	$80,207	2.0

Fiscal Analysis

The bill would amend the Finance Code relating to the regulation of mortgage brokers by requiring a mortgage broker (broker) to file a copy of an assumed name certificate for each name under which the broker conducts business with the Department of Savings and Mortgage Lending (SML) and require a broker or licensed entity regulated under the provisions of this bill to provide notification of any name change to SML. The bill would authorize the SML commissioner to assess certain fees related to the costs of implementing the provisions of the bill and authorize the commissioner to suspend a license under certain conditions. The bill would require that the application fee for a loan officer license not exceed $275. The bill would also authorize the finance commission to adopt rules related to mortgage broker courses, including assessing fees related to the costs for providing these courses.

This bill would take effect September 1, 2007.

Methodology

It is estimated that the Department of Savings and Mortgage Lending (SML) would have a cost associated with implementing the provisions of the bill. Based on the analysis of SML, it is assumed that compiling and tracking this additional information would necessitate additional resources at a cost of $168,414 through 2009.

SML also estimates costs for staff of $59,558 each year for 2.0 FTEs in fiscal year 2008 through fiscal year 2012. Other operating expenses and equipment are estimated at $13,800 in fiscal year 2008, $1,800 each fiscal year from 2009 through fiscal year 2011, and $3,800 in fiscal year 2012. Estimated costs also include $16,849 each fiscal year from 2008 through fiscal year 2012 for associated benefits.

SML is required by statute to adjust fees to generate revenue sufficient to cover all direct and indirect costs. Therefore, this analysis assumes that any increased costs resulting from this bill would be offset by an equal increase in fee generated revenue.

Technology

It is assumed that there would be a technology impact of $2,000 in fiscal year 2008 and fiscal year 2012 to provide and upgrade computers for FTEs related to implementing the provisions of this bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending

LBB Staff: JOB, JRO, MW, TGl

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

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

IN RE: HB2783 by Solomons (Relating to the regulation of mortgage brokers.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2783, Committee Report 1st 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	Change in Number of State Employees from FY 2007
2008	($90,207)	$90,207	2.0
2009	($78,207)	$78,207	2.0
2010	($78,207)	$78,207	2.0
2011	($78,207)	$78,207	2.0
2012	($80,207)	$80,207	2.0

Fiscal Analysis

The bill would amend the Finance Code relating to the regulation of mortgage brokers by requiring a mortgage broker (broker) to file a copy of an assumed name certificate for each name under which the broker conducts business with the Department of Savings and Mortgage Lending (SML) and require a broker or licensed entity regulated under the provisions of this bill provide notification of any name change to SML. The bill would authorize the SML commissioner to assess certain fees related to the costs of implementing the provisions of the bill and authorize the commissioner to suspend a license under certain conditions. The bill would also authorize the finance commission to adopt rules related to mortgage broker courses, including assessing fees related to the costs for providing these courses.

This bill would take effect September 1, 2007.

Methodology

It is estimated that the Department of Savings and Mortgage Lending (SML) would have a cost associated with implementing the provisions of this bill. Based on the analysis of SML, it is assumed that compiling and tracking this additional information would necessitate additional resources at a cost of $168,414 through 2009.

SML also estimates costs for staff of $59,558 each year for 2.0 FTEs in fiscal year 2008 through fiscal year 2012. Other operating expenses and equipment are estimated at $13,800 in fiscal year 2008, $1,800 each fiscal year from 2009 through fiscal year 2011, and $3,800 in fiscal year 2012. Estimated costs also include $16,849 each fiscal year from 2008 through fiscal year 2012 for associated benefits.

SML is required by statute to adjust fees to generate revenue sufficient to cover all direct and indirect costs. Therefore, this analysis assumes that any increased costs resulting from this bill would be offset by an equal increase in fee generated revenue.

Technology

It is assumed that there would be a technology impact of $2,000 in fiscal year 2008 and fiscal year 2012 to provide and upgrade computers for FTEs related to implementing the provisions of this bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending

LBB Staff: JOB, JRO, MW, TGI

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 25, 2007

TO: Honorable Burt R. Solomons, Chair, House Committee on Financial Institutions

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

IN RE: HB2783 by Solomons (Relating to the regulation of mortgage brokers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2783, As Introduced: 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	Change in Number of State Employees from FY 2007
2008	($90,207)	$90,207	2.0
2009	($78,207)	$78,207	2.0
2010	($78,207)	$78,207	2.0
2011	($78,207)	$78,207	2.0
2012	($80,207)	$80,207	2.0

Fiscal Analysis

The bill would amend the Finance Code relating to the regulation of mortgage brokers by requiring a mortgage broker (broker) to file a copy of an assumed name certificate for each name under which the broker conducts business with the Department of Savings and Mortgage Lending (SML) and require a broker or licensed entity regulated under the provisions of this bill provide notification of any name change to SML. The bill would authorize the SML commissioner to assess certain fees related to the costs of implementing the provisions of the bill and authorize the commissioner to suspend a license under certain conditions. The bill would also authorize the finance commission to adopt rules related to mortgage broker courses, including assessing fees related to the costs for providing these courses.

This bill would take effect September 1, 2007.

Methodology

It is estimated that the Department of Savings and Mortgage Lending (SML) would have a cost associated with implementing the provisions of this bill. Based on the analysis of SML, it is assumed that compiling and tracking this additional information would necessitate additional resources at a cost of $168,414 through 2009.

SML also estimates costs for staff of $59,558 each year for 2.0 FTEs in fiscal year 2008 through fiscal year 2012. Other operating expenses and equipment are estimated at $13,800 in fiscal year 2008, $1,800 each fiscal year from 2009 through fiscal year 2011, and $3,800 in fiscal year 2012. Estimated costs also include $16,849 each fiscal year from 2008 through fiscal year 2012 for associated benefits.

SML is required by statute to adjust fees to generate revenue sufficient to cover all direct and indirect costs. Therefore, this analysis assumes that any increased costs resulting from this bill would be offset by an equal increase in fee generated revenue.

Technology

It is assumed that there would be a technology impact of $2,000 in fiscal year 2008 and fiscal year 2012 to provide and upgrade computers for FTEs related to implementing the provisions of this bill.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending
LBB Staff: JOB, JRO, MW, TGI