

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 18, 2009

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

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

IN RE: HB10 by Solomons (Relating to the regulation of residential mortgage loan originators; providing a penalty.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB10, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2011.

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
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$3,375,542)	\$3,375,542	24.0
2011	(\$1,842,142)	\$1,842,142	24.0
2012	(\$1,842,142)	\$1,842,142	24.0
2013	(\$1,842,142)	\$1,842,142	24.0
2014	(\$1,887,542)	\$1,887,542	24.0

Fiscal Analysis

The bill would amend the Finance Code by adding a chapter that requires mortgage loan originators to register with the Nationwide Mortgage Licensing System and Registry (NMLSR) based on the Federal Secure and Fair Enforcement of Mortgage Licensing Act (S.A.F.E.) of 2008.

The bill would allow the Department of Savings and Mortgage Lending to license mortgage loan originators employed by credit union subsidiary organizations and require the Credit Union Department to examine, inspect, or investigate subsidiary organizations that are licensed to act as residential mortgage loan originators.

The bill would take effect September 1, 2009, and would require individuals authorized to engage in

mortgage loan origination activities before July 31, 2009, to comply by July 31, 2011. Individuals who are authorized after July 31, 2009, must register immediately.

Methodology

The analysis is based on information provided by the Department of Savings and Mortgage Lending, the Office of Consumer Credit Commissioner, the Credit Union Department, and the Department of Banking and includes the following assumptions:

The Department of Savings and Mortgage Lending would require 14.0 additional positions, including 8.0 examiners, 2.0 investigators, and 4.0 administrative at the salary and benefit costs of \$1,056,948 in each fiscal year from 2010-2015 to respond to an estimated increase of 8,000 licensees. The Department of Savings and Mortgage Lending would also be required to pay \$500,000 as a one-time buy-in fee for use of the NMLSR. Additional technology costs of \$78,400 in fiscal year 2010 and \$17,000 each fiscal year from 2011-2015 are for computers and software for new positions and programming to make the current system compatible with the NMLSR system.

The Office of Consumer Credit Commissioner would require 10.0 additional positions, including 2.0 administrative assistants, 1.0 accounting technician, 1.0 attorney, and 6.0 financial examiners at the salary and benefit costs of \$768,194 in each fiscal year from 2010-2015 to respond to an estimated increase of 6,000 licensees. The Office of Consumer Credit Commissioner would also be required to pay \$172,000 as a one-time buy-in fee for the use of the NMLSR. Additional technology costs of \$800,000 in fiscal year 2010 and \$25,000 in fiscal year 2014 include computers and software for new positions and a new database system that is NMLSR compatible and can handle the increase in licenses.

Duties and responsibilities associated with implementing the provisions of the bill for the Department of Banking and the Credit Union Department could be accomplished by utilizing existing resources.

The Department of Banking, Department of Savings and Mortgage Lending, Office of Consumer Credit Commissioner, and the Credit Union Department are self-leveling agencies and are statutorily required to generate revenues sufficient to cover all of the agency's direct and indirect costs.

Technology

The bill would require new computers and software for additional 24.0 FTEs, 1 database upgrade, 1 new database, and a contract developer for an initial total cost of \$853,400 in fiscal year 2010, and a total of \$105,400 spread over fiscal years 2011-2015 for technology maintenance.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending, 451 Department of Banking, 466 Office of Consumer Credit Commissioner, 469 Credit Union Department

LBB Staff: JOB, JRO, MW, ACa