

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 21, 2009

TO: Honorable Vicki Truitt, Chair, House Committee on Pensions, Investments & Financial Services

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

IN RE: HB3588 by Olivo (Relating to the regulation of mortgage brokers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3588, As Introduced: a negative impact of (\$3,188,084) 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	(\$1,616,542)
2011	(\$1,571,542)
2012	(\$1,571,542)
2013	(\$1,571,542)
2014	(\$1,616,542)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	(\$1,616,542)	22.0
2011	(\$1,571,542)	22.0
2012	(\$1,571,542)	22.0
2013	(\$1,571,542)	22.0
2014	(\$1,616,542)	22.0

Fiscal Analysis

The bill would amend the Finance Code so that mortgage brokers would have a fiduciary duty to mortgage applicants in the origination of mortgage loans, providing guidelines for fiduciary duty and prohibited practices for mortgage brokers.

The bill would take effect September 1, 2009.

Methodology

Based on the information provided by the Department of Savings and Mortgage Lending (SML), it is assumed that SML would require 22 additional positions, including 15 Financial Examiners at the salary and benefits cost of \$911,395 each fiscal year, 2 Investigators at the salary and benefits cost of

\$95,645 each fiscal year, one Attorney and one Legal Assistant at the salary and benefits cost of \$125,556 each fiscal year, 1.5 Administrative Assistant at the salary and benefits cost of \$59,934 each fiscal year, 0.5 Accountant at the salary and benefits cost of \$26,932 each fiscal year, and one Systems Analyst at the salary and benefits cost of \$63,380 each fiscal year to implement the provisions of the bill.

Other costs associated with the 22 FTEs include professional services, travel costs, and other operating expenses, totaling \$288,700 each fiscal year. Technology costs of \$45,000 in fiscal year 2010 and 2014 include computers and software for new positions.

Although SML is a self-leveling agency and is statutorily required to generate revenues sufficient to cover all of the agency's direct and indirect costs, information provided by the agency indicates that its fees are currently set at the statutory cap. Based on this information, this analysis assumes the agency would not be able to generate sufficient additional revenues to cover increased costs associated with implementing the provisions of the bill because the agency cannot raise fees higher than its current fee schedule.

Technology

Technology costs include \$45,000 in fiscal years 2010 and 2014 for computers and software for 22 FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 450 Department of Savings and Mortgage Lending

LBB Staff: JOB, JRO, MW, ACa