

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 27, 2009**

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

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

**IN RE: SB1167** by West (Relating to the regulation of certain lending and loan origination practices in connection with home loans.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1167, 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
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:**

<b>Fiscal Year</b>	<b>Probable Savings/(Cost) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2009</b>
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 to act in the mortgage applicant's best interest and in good faith in the origination of mortgage loans, providing guidelines for duties and prohibited practices for mortgage brokers. The bill would amend Subchapter C, Chapter 343, to include subprime home loans and would provide guidelines for subprime home loan lenders.

The bill would take effect January 1, 2010.

**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, 451 Department of Banking

**LBB Staff:** JOB, ACa, JRO, MW