

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2995-01
Bill No.: HB 990
Subject: Economic Development Dept: Licenses - Professional; Property, Real and Personal
Type: Original
Date: February 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Residential Mortgage Licensing Fund	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

***Offsetting Income and Costs Total \$490,579 in FY 2006 and \$404,838 in FY 2007**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Secretary of State's Office (SOS)** assumed the rules, regulations and forms issued by the Department of Economic Development - Director of Finance could require as many as 24 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,476 for FY 2005. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Economic Development - Division of Finance (DED-FIN)** assume the proposal would substantially increase DED-FIN workload as it creates an education requirement for "originators" working with residential mortgage brokers and requires the licensing of approximately 15,000 "originators" in addition to the companies already licensed.

ASSUMPTION (continued)

In arriving at an estimate, DED-FIN sought the assistance of the North Carolina Division of Finance since A) NC has approximately the same population as Missouri, B) North Carolina has a law somewhat like that proposed in this legislation, 3) the North Carolina mortgage broker industry is approximately the same size as in Missouri and, consequently, 4) DED-FIN felt that their past experience would be similar to what DED-FIN must address in this proposed legislation.

North Carolina, to administer its residential mortgage broker laws in an industry essentially the same size and makeup as Missouri, uses a total of sixteen to twenty people. That includes a director of the mortgage broker division, a continuing education director, seven examiners (two senior and five lower ranked), four full-time office assistants, two part-time office assistants plus an attorney. This does not include four or five others involved with consumer complaints and investigations which, if included would run the number to approximately twenty people.

DED - FIN believes, based on what they learned about the experiences of the licensing sections of the MO Department of Insurance and MO Board of Realtors, that they would need four full time office assistants; (they already have one so they would need to add three). DED-FIN will, like North Carolina, need a director for what is termed the Residential Mortgage Broker Section but, since they already have such an employee, there would be no increase. They do not believe they would need a director of continuing education as the section director would perform those duties.

Therefore, DED-FIN will need a total of seven new people to go with the two they already have: one examiner for field work, three new office assistants, a lawyer, and two people (designated as "examiners") to work complaints. These would, of course, need space, equipment and expenses. They would recover all of the costs, per the statute, through licensing fees.

DED-FIN officials also stated this proposal had no effect on the **Division of Professional Registration**, therefore there would be no fiscal impact on Professional Registration.

Oversight assumes this proposal as it relates to the licensing of "originators" will not go into effect until FY 2006 since those employed in that business have until August 2005, or their renewal date, to renew or obtain a license. DED-FIN indicated that many of the licenses would come due in July. DED-FIN also indicated that the licenses are biennial, but half is collected each year. The fees needed to cover expenses would be approximately \$50/year per licensee which is in line with what mortgage brokers are paying now.

This proposal would increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
RESIDENTIAL MORTGAGE LICENSING FUND			
<u>Income</u> - Division of Finance	\$0	\$490,579	\$404,838
Licensing Fees			
<u>Cost</u> - Division of Finance			
Personal Costs (7 FTE)	\$0	\$255,827	\$262,223
Fringe Benefits	\$0	\$105,912	\$108,560
Equipment and Expense	<u>\$0</u>	<u>\$64,420</u>	<u>\$34,055</u>
Total <u>Costs</u> - Division of Finance	\$0	\$490,579	\$404,838
ESTIMATED NET EFFECT ON RESIDENTIAL MORTGAGE LICENSING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2005 (10 Mo.)	 FY 2006	 FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that originate loans would be affected by this proposal with the cost of continuing education classes and license fees.

DESCRIPTION

This proposal contains provisions relating to residential mortgage brokers:

- (1) Defines "continuing education" and establishes standards to be met in order to comply with the continuing education requirements;
- (2) Removes the definition pertaining to employed or contracted persons assisting in the activities performed by a licensed broker;
- (3) Defines "loan originator" and "residential loan originator license certification course";

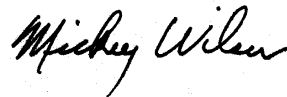
DESCRIPTION (continued)

- (4) Exempts certain financial institutions from the loan originator licensing requirements;
- (5) Exempts from the licensing requirements those persons currently holding mortgage broker or loan originator licenses prior to the effective date of the bill;
- (6) Requires all license applications to include evidence of satisfactory completion of the residential loan originator license certification course and examination;
- (7) Requires loan originator licensees to deliver their licenses to their current employer and notify the Director of Finance in the Department of Economic Development. In the case where employment is terminated, the licensee will return his or her license to the director with a written explanation of the reasons for termination; and
- (8) Requires all renewal applications to include evidence of completion of all continuing education requirements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Division of Finance
Division of Professional Registration
Office of Secretary of State
Division of Administration Rule



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