

HCS HB 2188 -- MORTGAGE FRAUD

SPONSOR: Cunningham, 145 (Pearce)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Financial Institutions by a vote of 9 to 0.

This substitute creates civil and criminal penalties for individuals committing mortgage fraud. In its main provisions, the substitute:

(1) Allows licensed real estate brokers, real estate salespersons, and real estate appraisers to be brought before the Administrative Hearing Commission and lose their license for committing mortgage fraud. A licensee who is criminally convicted of mortgage fraud will automatically have his or her license revoked; and the Missouri Real Estate Commission or the Missouri Real Estate Appraisers Commission within the Department of Insurance, Financial Institutions, and Professional Registration may maintain an action in circuit court. The court may impose a civil penalty of \$2,500 per violation and may grant other relief the court determines is just and proper;

(2) Authorizes the Director of the Division of Finance within the department to investigate the records of any licensed mortgage broker;

(3) Allows the division director or the Residential Mortgage Board within the department to assess a civil penalty of up to \$5,000 for any violation of the provisions of Sections 443.800 - 443.893, RSMo, in a contested case; and

(4) Allows the division director to issue a notice of charges in support of an order to remove and prohibits a person from participating in loan brokering, mortgage brokering, or mortgage brokerage service for any loan secured by residential real estate under the laws relating to residential mortgage brokers or under the jurisdiction of the division director. An order of removal or prohibition may be permanent or for a specified term and may require restitution and the imposition of a civil penalty of up to \$5,000 per occurrence.

FISCAL NOTE: Estimated Cost on General Revenue Fund of Unknown less than \$100,000 in FY 2009, FY 2010, and FY 2011. No impact on Other State Funds in FY 2009, FY 2010, and FY 2011.

PROPOSERS: Supporters say that mortgage fraud is on the rise. The increase in foreclosures has enabled criminals to exploit vulnerable homeowners seeking financial help and guidance. The bill will give those who regulate mortgages the authority to take

action against those committing mortgage fraud.

Testifying for the bill were Representative Pearce; Division of Finance, Department of Insurance, Financial Institutions, and Professional Registration; Missouri Real Estate Commission; Missouri Association of Realtors; Missouri Association of Mortgage Brokers; Mortgage Bankers Association of Missouri; Missouri Bankers Association; and Missouri Appraisers Advisory Council.

OPPONENTS: There was no opposition voiced to the committee.