

**STATE
FISCAL IMPACT**

Drafting Number: LLS 09-0342

Date: January 20, 2009

Prime Sponsor(s): Rep. Rice
Sen. Heath

Bill Status: House Business Affairs and Labor

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TITLE: CONCERNING THE REGULATION OF MORTGAGE LOAN ORIGINATORS, AND, IN CONNECTION THEREWITH, MODIFYING THE "MORTGAGE BROKER LICENSING ACT" TO CONFORM TO THE FEDERAL "SECURE AND FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT OF 2008" AND EXEMPTING CERTAIN FINANCIAL INSTITUTIONS FROM THE LIST OF PROHIBITED PRACTICES UNDER THE ACT.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
Cash Funds		
Mortgage Loan Originator Licensing Cash Fund*	\$225,000	\$56,250
State Expenditures		
Cash Funds		
Mortgage Loan Originator Licensing Cash Fund	\$202,636	\$35,408
FTE Position Change	1.0 FTE	1.0 FTE
Effective Date: The bill is effective 90 days following final adjournment of the General Assembly unless a referendum petition is filed (August 4, 2009, if final adjournment is May 6, 2009).		
Appropriation Summary for FY 2009-2010: See State Appropriations section.		
Local Government Impact: None.		

* Fee revenue exceeds state expenditures in order to pay for costs noted in the Expenditures Not Included section of this fiscal note.

Summary of Legislation

This bill modifies and renames the Mortgage Broker Licensing Act. Mortgage brokers offer or negotiate the terms of a residential home loan. They are regulated by the Division of Real Estate in the Department of Regulatory Agencies (DORA).

The bill defines the term "mortgage loan originator" and replaces the term "mortgage broker" in the text and title of the law. On or after July 31, 2010, mortgage loan originators must be registered with the Nationwide Mortgage Licensing System and Registry (NMLS&R), a national tracking system established by the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008. Registry in the national system is a condition of receiving a license from the department. Nationally registered loan originators will obtain a unique identifying number that must appear on all marketing materials and loan documents.

In addition, the bill:

- ▶ requires annual renewal of licenses, a change from the current 3 year renewal cycle;
- ▶ increases education requirements for license renewal from 9 hours every 3 years to 8 hours annually;
- ▶ requires license applicants to provide additional information to the department including personal credit reports and evidence of financial responsibility;
- ▶ authorizes the department to obtain additional criminal background information; and
- ▶ allows the department to order that a mortgage loan originator pay for damages to consumers.

The bill is repealed on July 1, 2011, and requires a sunset review.

State Revenue

In FY 2009-10, this bill will increase state revenue from fees by an estimated \$225,000. In FY 2010-11, increased fee revenue is estimated at \$56,250.

Fee Impact on Mortgage Loan Originators. Section 2-2-322, C.R.S., requires legislative service agency review of measures that create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill. Fee calculations are based on the estimated costs of the bill and the estimated number of registrations provided. Information on costs are detailed in the expenditures section of this fiscal note. The estimated number of registrations comes from the number of current license holders, all of whom are required to renew annually.

Table 1. Fee Impact Mortgage Loan Originators					
Type of Fee	Current Fee	Proposed Fee	Fee Change	Number Affected	Total Fee Impact
FY 2009-10 Renewal	\$67*	\$91	\$24	9,375	\$225,000
FY 2010-11 Renewal	\$67*	\$73	\$6	9,375	\$56,250
TOTAL					\$281,250

* The current fee to renew a license is \$200 every 3 years. The current fee above is annualized to approximately \$67 per year. Total fee impact of the bill is calculated based on the fee change amounts.

State Expenditures

This bill will result in total state expenditures of \$202,636 and 1.0 FTE in FY 2009-10 and \$35,408 and 1.0 FTE in FY 2010-11. The bill requires that the department begin licensing mortgage loan originators on an annual basis, instead of every three years. Manual review of license applications will now occur at 3 times the current rate. Further, the department will now collect additional information required of license applicants provided both to the department and to the national registry. The MNLS&R is not an automated registry and requires manual effort from the department to review, approve or deny, and manage each application. The increased workload can be met by the department with the addition of 1.0 FTE.

The department will require computer software upgrades to modify the state records management system to adopt the new renewal cycle. Further, the department is required to pay development costs as a participant in the NMLS&R. Total expenditures under the bill are detailed in Table 2.

Table 2. Total Expenditures Under HB 1085		
Cost Components	FY 2009-10	FY 2010-11
Personal Services	\$34,458	\$34,458
FTE	1.0	1.0
Operating Expenses and Capital Outlay	6,178	950
IT System Modifications	50,000	-
NMLS&R Development-State Share	112,000	-
TOTAL	\$202,636	\$35,408

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 3.

Table 3. Expenditures Not Included Under HB 1085*		
Cost Components	FY 2009-10	FY 2010-11
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$6,886	\$6,886
Supplemental Employee Retirement Payments	1,081	1,281
Indirect Costs	12,291	12,291
Leased Space	4,200	0
TOTAL	\$24,458	\$20,458

*More information is available at: http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf

State Appropriations

This bill requires an appropriation of \$202,636 and 1.0 FTE to the Department of Regulatory Agencies from the Mortgage Loan Originator Licensing Cash Fund.

Departments Contacted

Regulatory Agencies Public Safety Law Treasury