

  
*Colorado Legislative Council Staff Fiscal Note*  
**STATE**  
**REVISED FISCAL IMPACT**  
(replaces fiscal note dated January 20, 2009)

**Drafting Number:** LLS 09-0342  
**Prime Sponsor(s):** Rep. Rice  
 Sen. Heath

**Date:** March 9, 2009  
**Bill Status:** Senate Business Labor and Technology  
**Fiscal Analyst:** Josh Abram (303-866-3561)

**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, AND MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
<b>State Revenue</b>		
Cash Funds		
Mortgage Loan Originator Licensing Cash Fund*	\$225,000	\$56,250
<b>State Expenditures</b>		
Cash Funds		
Mortgage Loan Originator Licensing Cash Fund	\$202,636	\$35,408
<b>FTE Position Change</b>	1.0 FTE	1.0 FTE
<b>Effective Date:</b> 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).		
<b>Appropriation Summary for FY 2009-2010:</b> See State Appropriations section.		
<b>Local Government Impact:</b> 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 *reengrossed* 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;
- ▶ allows the department to order that a mortgage loan originator pay for damages to consumers; and
- ▶ includes a FY 2009-10 cash funds appropriation of \$90,636 and 1.0 FTE from the Mortgage Loan Originator Licensing Cash Fund to the Department of Regulatory Agencies.

The bill is repealed on July 1, 2011, following 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.

<b>Table 1. Fee Impact Mortgage Loan Originators</b>					
<b>Type of Fee</b>	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Fee Change</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2009-10 Renewal	\$67*	\$91	\$24	9,375	\$225,000
FY 2010-11 Renewal	\$67*	\$73	\$6	9,375	\$56,250
<b>2 YEAR TOTAL</b>					<b>\$281,250</b>

\* 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 NMLS&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.

<b>Table 2. Total Expenditures Under HB 1085</b>		
<b>Cost Components</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
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	-
<b>TOTAL</b>	<b>\$202,636</b>	<b>\$35,408</b>

**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.

<b>Table 3. Expenditures Not Included Under HB 1085*</b>		
<b>Cost Components</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
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	4,200
<b>TOTAL</b>	<b>\$24,458</b>	<b>\$24,658</b>

*\*More information is available at: [http://www.state.co.us/gov\\_dir/leg\\_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf](http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf)*

**State Appropriations**

Although the bill includes an appropriation clause for \$90,636 and 1.0 FTE, the fiscal note indicates that the 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