

**JBC STAFF FISCAL ANALYSIS  
HOUSE APPROPRIATIONS COMMITTEE**

CONCERNING THE REGULATION OF PERSONS PARTICIPATING IN MORTGAGE LOAN TRANSACTIONS, AND, IN CONNECTION THEREWITH, REQUIRING MORTGAGE BROKERS TO BE LICENSED, SPECIFYING PROHIBITED ACTS AND GROUNDS FOR DISCIPLINE OF LICENSEES, AND MAKING AN APPROPRIATION.

Prime Sponsors: Senator Groff  
Representative Marshall

JBC Analyst: Steve Allen  
Phone: 303-866-2061  
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**Summary of Amendments Made to the Bill After the 04/01/07 Legislative Council Staff Revised Fiscal Note was Prepared (Amended by the Senate Appropriations Committee 04/12/07, the Committee of the Whole 04/17/07, and the House Business Affairs and Labor Committee 04/30/07)**

The Senate Appropriations Committee amendment:

- allowed the mortgage-broker-enforcement duties that the bill assigns to the Department of Law to be funded from the Mortgage Broker Registrations Cash Fund, and
- added an appropriations clause.

The Committee of the Whole Amendment:

- specified that the prohibited acts listed in Section 38-40-105 (1.5), C.R.S. also apply to mortgage lenders and their agents, as opposed to mortgage brokers alone, and
- added the requirement that the loan agreement be provided to the borrower, completely filled in with no blanks, at least one business day before the closing.

The House Business Affairs and Labor Committee amendment:

- allowed licensed mortgage brokers to hire unlicensed mortgage brokers under temporary licenses. The licensed employer-broker is responsible for the actions of his or her employee-brokers.
- specified that the prohibited acts listed in Section 38-40-105, C.R.S., apply to mortgage brokers and their agents, thus excluding mortgage lenders and their agents.

Only the first of these amendments, the provision adopted by the Appropriations Committee allowing funding from the Mortgage Broker Registrations Cash Fund, alters the fiscal impact of the bill as delineated in the April 1, 2007 Legislative Council Staff Fiscal Note. The following table

summarizes the altered fiscal impact:

<b>Fiscal Impact Summary</b>	<b>FY 2007-2008</b>	<b>FY 2008-2009</b>
<b>State Revenue</b>		
General Fund	Fines	Fines
Cash Funds		
Mortgage Broker Licensing Cash Fund	\$979,200 + Fines	Fines
Fees - Background Checks	168,000	56,000
Fines Collection Cash Fund	< 5,000	< 5,000
Cash Funds Exempt - Pass Through Fees to FBI	211,200	70,400
<b>State Expenditures</b>		
Cash Funds		
Mortgage Broker Licensing Cash Fund	422,463	610,964
Cash Funds - Background Check Fees	167,864	56,000
Cash Funds Exempt - Pass Through Fees to FBI	211,200	70,400
<b>FTE Position Change</b>	5.8 FTE	6.6 FTE
<b>Effective Date:</b> January 1, 2008.		

This table also corrects a technical error in the Fiscal Note, which calculated cash fund appropriation to the CBI for background checks incorrectly. Legislative Council Staff agrees with this assessment.

**JBC Staff Concurrence with Legislative Council Staff Fiscal Note**

**Concurs**
                 
  **Does Not Concur**
                 
  **Updated Analysis**

**Reason for the Update**

As described in the "Summary of Amendments" section above, the staff has updated the fiscal analysis to take into account the Appropriations Committee Amendment and a technical error.

**Amendments/Appropriation Status**

The reengrossed bill, as amended by the Business Affairs and Labor Committee, contains an appropriation clause that is inconsistent with the updated fiscal analysis described above. Staff has

prepared amendment **J.004** (attached), which makes the necessary adjustments to the appropriations clause. As amended by J.004, the bill makes the following FY 2007-08 appropriations:

Recipient of Appropriation and Funding Source	Amount	FTE
<b>(1) Department of Regulatory Agencies - Total</b>	<b>\$422,463</b>	<b>1.8</b>
Executive Director's Office (From the Mortgage Broker Registration Cash Fund)	59,299 CF	0.0
Division of Real Estate (From the Mortgage Broker Registration Cash Fund)	363,164 CF	1.8
<b>(2) Department of Law - Total</b>	<b>245,648</b>	<b>2.8</b>
Legal Services to State Agencies (Out of the appropriation to the Executive Director's Office in (1) above)	59,299 CFE	0.5
Consumer Protection Section (Out of the appropriation to the Division of Real Estate in (1) above)	186,349 CFE	2.3
<b>(3) Department of Public Safety, Colorado Bureau of Investigation - Total.</b>	<b>379,064</b>	<b>1.7</b>
Processing of fingerprint-based criminal history checks (From fees collected by the CBI)	167,864 CF	1.7
Pass through to the Federal Bureau of Investigation for fingerprint-based national criminal history checks (From fees collected by the CBI)	211,200 CFE	0.0
<b>Total, All Departments</b>	<b>\$1,047,175</b>	<b>6.3</b>
Cash Funds	590,327	3.5
Cash Funds Exempt	456,848	2.8

**Sponsor Amendments**

Staff is not aware of any sponsor amendments to be offered.

**Points to Consider**

Four related bills are currently being considered by the General Assembly: H.B. 07-1322, S.B. 07-085, S.B. 07-216, and S.B. 07-203. As a broad generalization, H.B. 07-1322 deals with fraud, prohibited acts, and the relationship of mortgage brokers to their customers; S.B. 07-085 deals with the relationship between mortgage brokers and real estate appraisers; S.B. 07-203 changes the current mortgage broker registration system to a licensing system; and S.B. 07-216 deals with the marketing of nontraditional mortgage products to people for whom those products may be unsuitable.

There are economies of scale involved in implementing these bills, but the Fiscal Notes for the bills do not reflect the savings that would arise if more than one becomes law. For example, the appropriation to the Department of Regulatory Agencies contained in S.B. 07-085 will not be necessary if H.B. 07-1322, S.B. 07-206 or S.B. 07-216 become law in their current form. These economies will need to be addressed through a supplemental FY 2007-08 appropriation bill that would be introduced by the Joint Budget Committee during the 2008 legislative session.