

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 830 (Senator Sfikas. *et al.*)

Finance

Commissioner of Financial Regulation - Investigative and Enforcement Powers

This bill authorizes the Commissioner of Financial Regulation to conduct investigations to determine whether a person has violated a provision of law, regulation, rule, or order over which the Commissioner has jurisdiction. The bill authorizes the Commissioner to administer oaths, subpoena witnesses, and require the production of documents for an investigation. The Commissioner may issue cease and desist orders, suspend or revoke the license of a person under investigation, issue specified civil penalties, or take a combination of these actions. The bill authorizes the Commissioner to issue a summary cease and desist order after determining that a licensee or another person is about to violate the Maryland Consumer Loan Laws. The bill also authorizes the Commissioner to bring an action in circuit court for a temporary restraining order or a temporary or permanent injunction when it appears that a person is about to engage in an act that would violate the law over which the Commissioner has jurisdiction. When it appears that a person has violated such a law, the Commissioner may seek remedies that include civil penalties, restraining orders, restitution, and other relief.

The bill requires the Governor to appropriate in the State budget, to the Division of Financial Regulation, funding for the positions necessary to implement the bill beginning in fiscal 2001.

The bill is effective June 1, 2000.

Fiscal Summary

State Effect: General fund expenditures could increase by \$191,100 in FY 2001, reflecting the bill's October 1, 2000 effective date. Out-year projections reflect annualization and inflation. Revenues would not be affected.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$191,100	\$257,300	\$259,900	\$262,500	\$265,100
Net Effect	(\$191,100)	(\$257,300)	(\$259,900)	(\$262,500)	(\$265,100)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The Commissioner of Financial Regulation is housed in the Department of Labor, Licensing, and Regulation and is charged with regulating banking and consumer credit. The commissioner supervises the operation of all State-chartered banking institutions, State-chartered credit unions, consumer loan companies, sales finance companies, mortgage companies, and collection agencies. The Commissioner inspects the banks and credit unions annually, receives periodic reports from and regularly examines licensees, and handles consumer complaints against financial institutions and licensees under the Commissioner’s jurisdiction. The Commissioner is authorized to employ staff in accordance with the State budget.

Background: The Commissioner, as head of the Division of Financial Regulation, regulates approximately 74 depository institutions and 5,100 non-depository institutions. The division’s proposed fiscal 2001 budget is approximately \$3.28 million and includes three new financial examiner positions.

State Expenditures: In order to enforce the laws governing the supervised organizations and their activities, the Commissioner has the authority, in various sections of the Code, to conduct investigations and examinations, conduct hearings, issue cease and desist orders, replace members of boards or directors, impose fines, withdraw licenses and, in extreme cases, order the liquidation of a bank or credit union. The Division of Financial Regulation has existing staff who perform similar duties and functions and can fulfill the bill’s requirements with existing staff.

In order to exercise the powers granted in the bill, the division would incur additional costs for travel and administrative hearings. General fund expenditures could increase by an estimated \$191,100 in fiscal 2001, which accounts for the bill’s October 1, 2000 effective date. This estimate reflects the cost of additional investigator travel, as well as additional hearings before the Commissioner and before the Office of Administrative Hearings. Future

year expenditures reflect 1% increases in ongoing operating expenses.

The division estimates that the bill would require seven financial examiners, one assistant attorney general, one office assistant, and one office clerk at a cost of \$310,200 in fiscal 2001.

General funds totaling \$491,375 were included in the fiscal 2001 budget contingent on the passage of SB 872/HB 1337 for credit regulation of mortgage lenders, SB 830/HB 727 for investigative and enforcement powers of the Commissioner, and SB 450/HB 516 for the licensing of check cashing services.

Additional Information

Prior Introductions: None.

Cross File: HB 727 (Delegate McIntosh, *et al.*) - Commerce and Government Matters.

Information Source(s): The Judiciary (Administrative Office of the Courts); Office of Administrative Hearings; Department of Labor, Licensing, and Regulation (Commissioner of Financial Regulation); Department of Legislative Services

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