SB 159

Department of Legislative Services

Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 159 (Chairman, Finance Committee)
(By Request – Departmental – Labor, Licensing, and Regulation)

Finance Economic Matters

Commissioner of Financial Regulation - Mortgage Lenders - Licensing of Federally Approved Seller-Servicers

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This departmental bill requires mortgage lenders that are federally approved seller-servicers to be licensed as mortgage lenders with the Commissioner of Financial Regulation and repeals provisions exempting them from the mortgage lender licensing provisions. In the absence of an order by the commissioner to the contrary, a federally approved seller-servicer that is exempt from having a mortgage lender license immediately prior to October 1, 2005 may continue to service mortgage loans without being licensed until the commissioner acts on the seller-servicer's application for a license if the seller-servicer applies by October 31, 2005.

Fiscal Summary

State Effect: General fund revenues from licensing and examination fees would increase by approximately $33,000 in FY 2006. Out-years reflect annualization, inflation, the two-year licensing cycle, and the three-year examination cycle. Expenditures would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	$33,000	$49,200	$14,200	$55,200	$15,200
GF Expenditure	$0	$0	$0	$0	$0
Net Effect	$33,000	$49,200	$14,200	$55,200	$15,200

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

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: A mortgage lender that services mortgage loans for the lender or assignee of the loan or collects or otherwise receives mortgage loan payments from borrowers for distribution to the lender or assignee (a mortgage servicer) is not subject to the licensing and bonding requirements of a mortgage lender. In order to maintain the exemption from the mortgage lender licensing provisions, a seller-servicer must: (1) register annually with the commissioner; and (2) provide documentation that the mortgage lender is a federally approved seller-servicer.

A federally approved seller-servicer is a mortgage lender that has been approved by: (1) the Federal Home Loan Mortgage Corporation (Freddie Mac); (2) the Federal National Mortgage Association (Fannie Mae); (3) the Government National Mortgage Association (Ginnie Mae); (4) the U.S. Department of Housing and Urban Development; or (5) the U.S. Department of Veterans Affairs.

Generally, a person may not act as a mortgage lender unless the person is licensed with the commissioner, specifically exempted from the licensing provisions, or is registered with the commissioner as a federally approved seller-servicer.

Background: The commissioner has greater regulatory authority, including examination and disciplinary authority, over licensed mortgage lenders than over registered federally approved seller-servicers. Recently, the Federal Trade Commission and the U.S. Department of Housing and Urban Development settled a case affecting consumers nationally, including Maryland residents, with a federally approved seller-servicer of sub-prime mortgages. The seller-servicer agreed to pay $40 million to establish a redress fund for the benefit of these consumers. Because the seller-servicer was merely registered with the commissioner and not licensed, the commissioner's enforcement authority over this seller-servicer would have been limited.

State Revenues: There are currently 38 seller-servicers registered with the Division of Financial Regulation. The licensing fee for mortgage lenders is $1,000 for a two-year license. New licensees must pay the full amount in even-numbered years. The revenues for this would likely come in odd-numbered fiscal years. In odd-numbered years, new licensees must pay $500. These revenues would likely come in even-numbered fiscal years. In addition, there is a one-time, nonrefundable investigation fee of $100 charged to each applicant and an examination fee of $250 per day per employee of the commission. A typical examination of this type takes two employees two days to complete. It is assumed that, because each licensee must be examined once every three years, approximately one-third would be examined in any given year. The division estimates that 35 of the 38 current registrants would become licensed under the bill. Based on these facts and assumptions, general fund revenues from licensing, investigation, and examination fees would increase by $33,000 in fiscal 2006. Renewals of licenses occur at the end of even-numbered years. Revenues from renewal licenses come in odd-numbered fiscal years.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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