

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 247 (Chairman, Economic Matters Committee)
 (By Request – Departmental – Labor, Licensing, and Regulation)

Economic Matters

Finance

Financial Institutions - Consumer Credit - Licensee Examinations

This departmental bill provides that, for entities regulated by the State’s consumer lending statutes, the determination of whether to accept the production of documentation rather than an on-site examination is to be made solely at the discretion of the Commissioner of Financial Regulation. The bill also repeals provisions specifying that money collected for examinations must be deposited in a special fund for that purpose.

Fiscal Summary

State Effect: Special fund expenditures and revenues could increase by approximately \$41,300 in FY 2007. Out-year projections reflect annualization and inflation.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	\$41,300	\$55,600	\$56,100	\$56,700	\$57,200
SF Expenditure	41,300	55,600	56,100	56,700	57,200
Net Effect	\$0	\$0	\$0	\$0	\$0

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 licensee under the consumer credit statutes whose place of business is outside Maryland must pay the travel and living expenses reasonably incurred by the commissioner's examiners. This requirement does not apply if the licensee provides all documentation deemed by the commissioner to be necessary or appropriate to the examination within the State at a location designated by the commissioner. Money collected for travel related to these examinations must be held in a special fund and disbursed for the sole purpose of defraying the cost of examinations, as appropriated in the State budget.

Background: Chapter 590 of 2005 established a special fund to pay for the costs of regulation of mortgage originators and mortgage lenders. Under Chapter 590, money collected for the examination of a mortgage lender or mortgage originator would be credited to this fund. Because almost all of the licensees who would have paid for examiner travel are mortgage originators or mortgage lenders, the fund repealed by the bill has been rendered obsolete.

The commissioner advises that, because lenders currently have the discretion to forward documents in lieu of an on-site examination, some lenders have submitted loan origination documents that appear to have been altered. Performing an on-site examination would allow an examiner to review original documents.

State Fiscal Effect: It is estimated that approximately 1% of the 5,500 mortgage lender and originator licensees are located outside Maryland and would be examined by the commissioner during a given year. These licensees would be charged for the cost of travel and related expenses. It is further estimated that the average cost of such an examination would be approximately \$1,000, including air fare, hotel, and meals for two examiners. Based on these assumptions, special fund expenditures and revenues could increase by approximately \$41,300 in fiscal 2007, accounting for the bill's October 1, 2006 effective date.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 10, 2006
ncs/ljm

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