

State Corporation Commission 2009 Fiscal Impact Statement

1. Bill Number: SB1171

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Watkins

3. Committee: Commerce and Labor

4. Title: **Mortgage loan originators.**

5. Summary: Mortgage loan originators. Defines mortgage originator; establishes licensure and registry for originators in conjunction with the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008; and coordinates Virginia actions with the Nationwide Mortgage Licensing System and Registry, a system developed and maintained by the Conference of State Bank Supervisors that includes background checks and educational requirements.

6. Fiscal Impact Estimates: Are Preliminary; see Item # 8

7. Budget Amendment Necessary: No.

8. Fiscal Implications: Based on information derived from other state regulatory departments which currently license individual loan originators, the Bureau of Financial Institutions (BFI) anticipates it may need to employ up to five additional individuals to (i) process and investigate approximately 7,000 or more expected applications for license, (ii) examine licensees for compliance with law, and (iii) perform other related tasks required by the legislation. It is estimated that the additional annual expense to the BFI for these full time employees would be moderate (including salary, benefits, training, etc.). These expenses will be recovered from the licensed industry via annual fees as prescribed in proposed § 6.1-431.15 (\$100 per originator annually), and by application fees as proposed by Code § 6.1-431.3 (\$150 per application).

Technology costs associated with interfacing between the BFI and the Nationwide Mortgage Licensing System (NMLS) (exact costs unknown at this time but considered to be manageable based on ongoing discussions between IT staffs), and reimbursement costs toward development of the NMLS will also be paid using annual fees collected under § 6.1-431.15 of the Code of Virginia.

The State Regulatory Registry LLC (SRR), which has developed and operates the NMLS, has determined that Virginia's fair share of the NMLS' development cost to be \$253,000, based on a formula determined from historical licensing data. Each State will be required to pay a pro rata fair share of the development costs using this formula. The SRR Board of Directors has established a policy that all states participating in the NMLS must pay its

share of development costs. The "fair share" can be paid over an extended number of years.

As noted above, based on information from other states, senior Bureau staff is conservatively estimating some 7,000 potential originator licenses in Virginia. (North Carolina reports it currently has 16,724 loan originators licensed, Maryland reports it currently has 10,630 loan originators licensed, Tennessee reports it has some 8,000 licensed originators.)

Projected annual revenue should more than adequately cover all annual expenses associated with supervision and regulation of the mortgage originator industry.

9. Specific Agency or Political Subdivisions Affected: State Corporation Commission and its Bureau of Financial Institutions

10. Technical Amendment Necessary: No.

11. Other Comments: This bill appears to be a duplicate of House Bill 2031.

Date: 01/22/2009 E. J. Face, Jr.
Cc: Secretary of Commerce and Trade