

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1307 (Second Edition)

SHORT TITLE: Amend Mortgage Lending Act

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
REVENUES					
Agency Receipts					See Assumptions and Methodology
EXPENDITURES					
Agency Receipts					See Assumptions and Methodology
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
					Commissioner of Banks; Banking Commission; Department of Justice
EFFECTIVE DATE:					
					The bill is effective when it becomes law and applies to persons who apply for or renew licenses on or after that date.

BILL SUMMARY: The bill amends the Mortgage Lending Act to create “exclusive mortgage broker” as a new classification of mortgage lender to be licensed by the Banking Commission. The bill also enables the Banking Commissioner to request criminal background checks of potential mortgage brokers and mortgage bankers from the Department of Justice.

ASSUMPTIONS AND METHODOLOGY:

REVENUE

Section 7 of the bill allows the Banking Commission to charge \$500 for the new “exclusive mortgage broker” license. Banking Commission staff report this license was designed for insurance agents that intend to work for a single mortgage banker. The Department of Insurance has 37,580 North Carolina Life/Health insurance agents registered. (There are another 27,431 nonresident Life/Health agents.) The Banking Commission staff estimates that 3,000 to 5,000 insurance agents might seek to become exclusive mortgage brokers. If 5,000 do apply, then the Commission will collect \$2.5 million annually. However, it is not possible to estimate the number of agents willing to undergo the 40 hours of instruction, the exam, and the criminal

record check. Regardless of the number of applicants, the revenue received is a receipt of the Commission to be used to reimburse licensing expenses.

Another receipt found in Section 8 states that the Commissioner of Banks may impose a \$500 fee to initially review continuing education course materials and \$250 to review the course materials annually thereafter. There is no estimate of this potential revenue at this time.

EXPENDITURES

Section 5 of the bill allows the Commissioner of Banks to collect the actual cost of a criminal background check and credit report. As for background checks, the March 2002 Office of State Budget and Management Report on DCI Fee Study indicated the Department of Justice's average cost to process a national background check is \$12.18. The current fee charged by the Department of Justice to conduct a national background check is \$38, of which \$22 is remitted to the Federal Bureau of Investigation. The Commissioner of Banks will simply collect the fee for the Department of Justice.

No estimate is available for the total number of new background checks that would be requested as a result of this legislation. In addition to the new exclusive mortgage brokers that will receive background checks, the Banking Commission may require background checks of current licensees. The Department of Justice is able to accommodate some increase in background checks within its existing staffing level. The ID Unit of the SBI has one vacant background check position, and several other clerical-level vacancies elsewhere within the ID unit that could potentially be shifted to this area. If the vacant background check position were filled, the ID unit could handle the estimated 3,000 to 5,000 background checks on new applicants. If the Banking Commission chooses to request checks on existing licensees, the department may need authorization for at least one additional (time-limited) receipt-supported position.

SOURCES OF DATA: Banking Commission; Department of Justice

TECHNICAL CONSIDERATIONS:

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