

# FISCAL NOTE

## STATE OF ALASKA 2010 LEGISLATIVE SESSION

Fiscal Note Number: 1  
 Bill Version: SB 279  
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Identifier (file name):	SB279-CED-BSS-2-23-10	Dept. Affected:	DCCED
Title	Regulation of Mortgage Lending	RDU	Banking and Securities
Sponsor	Senator Paskvan	Component	Banking and Securities
Requester	Senate Labor and Commerce Committee	Component Number	2808

### **Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>	<b>FY 2011</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Personal Services	65.0		65.0	65.0	65.0	65.0	65.0
Travel	20.0		20.0	20.0	20.0	20.0	20.0
Contractual	43.0		13.0	6.0	6.0	6.0	6.0
Supplies	3.0		3.0	3.0	3.0	3.0	3.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>131.0</b>		<b>101.0</b>	<b>94.0</b>	<b>94.0</b>	<b>94.0</b>	<b>94.0</b>
<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES ( )</b>	<b>384.0</b>		<b>438.0</b>	<b>438.0</b>	<b>438.0</b>	<b>438.0</b>	<b>438.0</b>

<b>FUND SOURCE</b>	(Thousands of Dollars)						
	1002 Federal Receipts	1003 GF Match	1004 GF	1005 GF/Program Receipts	1037 GF/Mental Health	Other Rcpt Svcs (1156)	<b>TOTAL</b>
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Rcpt Svcs (1156)	131.0			101.0	94.0	94.0	94.0
<b>TOTAL</b>	<b>131.0</b>	<b>0.0</b>		<b>101.0</b>	<b>94.0</b>	<b>94.0</b>	<b>94.0</b>

Estimate of any current year (FY2010) cost:

### POSITIONS

Full-time	1	0	1	1	1	1	1
Part-time							
Temporary							

### **ANALYSIS:** *(Attach a separate page if necessary)*

This bill will bring the State of Alaska's mortgage lending statutes into compliance with the minimum federal licensing standards that are required by the federal S.A.F.E Act.

Alaska's state mortgage lending law (effect July 1, 2008) requires that mortgage lenders, brokers, and originators apply for and obtain a mortgage license to do business in Alaska. The federal S.A.F.E. Act (enacted July 30, 2008) requires, in part, that all states utilize a national database licensing system called the National Mortgage Licensing System and Registry to license mortgage loan originators. This was achieved with the passage of House Bill 221 during the 2009 legislative session, and Alaska joined the Registry August 1, 2009. The second part of the federal S.A.F.E. Act requires that states implement minimum federal licensing standards, which is the purpose of this bill.

Prepared by:	Lorie Hovanec, Director	Phone 269-8140
Division	Banking and Securities	Date/Time 2/22/10 10:30 AM
Approved by:	Emil Notti, Commissioner	Date 2/23/2010
	Department of Commerce, Community, and Economic Development	

**ANALYSIS CONTINUATION**

The personal services component includes the addition of one occupational licensing position. Currently, one staff member handles the processing of license application, changes and renewals for two programs: mortgage lending as well as money service businesses. This position will be hired in FY11 to perform primarily mortgage lending and Registry licensing, change notice processing, and renewal functions, as well as support for the examiners. Our currently employed occupational licensing position will focus on money service business licensing, renewals and examiner support, as well as back-up in mortgage lending at peak times, such as year end when all licenses renew. The contractual line includes \$3,000 in FY11 for costs associated with this new position as well as an ongoing \$3,000 in the supplies line.

The travel component reflects the department licensing numerous out-of-state mortgage lending companies due to the national registry, requiring travel to examinations. The department estimates these out-of-state exams will cost about \$20,000 per year, with travel to three exams per year, considering a 3 year exam schedule and reliance on other states for some portions of most out-of-state exams.

American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors (CSBS) oversee the national Registry. The CSBS membership fee is already included in the division's budget; however, the AARMR annual fee of \$750 is new and is included in the contractual component.

Additionally, the Registry only processes federal background checks, and a licensee pays for this federal background check fee directly to the Registry. State background checks (e.g., for mortgage company control persons) are paid up-front by the division. When the fee is collected from a licensee it goes into the general fund. We estimate the division's cost to be approximately \$5,250 per year for this state background check service and is included in the contractual component.

The contractual component also reflects \$30,000 in legal fees in FY11 associated with drafting the regulation package and an increase in our contract for legal hearing officer services in FY11. Other states already in compliance with the new federal laws have experienced increased legal and hearing fees associated with changes affecting the industry. The department expects an increase totaling \$14,000 for in FY11 and FY12 as the result of changes in current law.

**Change in Revenue:**

An increase in FY11 revenue is expected due to changes brought about expansion of the definition of "mortgage loan originator." This expansion includes licensing of loss mitigation specialists as mortgage loan originators, thereby affecting loan modification and servicing companies. Licensing these individuals will also increase the number of companies needing to be licensed.

Additionally, the S.A.F.E. Act limits exemptions, such that non-profits, mobile home dealerships and previously exempt subsidiaries of financial institutions must now be licensed. We estimate that all of these changes will increase FY11 revenue by \$384.0.

In FY12 and beyond, the revenue increase is primarily due to the S.A.F.E. Act requiring annual, rather than biennial renewals. To estimate this increase, we reduced the number of additional applicants resulting from change in law in FY11, determined a number that anticipates new applicants and non-renewing licensees in relative stasis, and estimated the change in revenue to be \$483.0 per year.