

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO.

House Bill 1654

PRINTER'S NO.

2448

AMOUNT

Minimal Additional Revenues

FUND

Banking Fund

DATE INTRODUCED

June 10, 2009

PRIME SPONSOR

Representative Daley

HISTORY OF BILL

Referred to COMMERCE, June 10, 2009
Reported as committed, June 16, 2009
First consideration, June 16, 2009
Re-committed to RULES, June 16, 2009
Re-reported as committed, June 22, 2009
Re-committed to APPROPRIATIONS, June 22, 2009
Re-reported as committed, June 23, 2009
(Remarks see House Journal Page), June 24, 2009

IN THE SENATE

Referred to BANKING & INSURANCE, June 26, 2009
Reported as amended, July 15, 2009
First consideration, July 15, 2009
Second consideration, July 16, 2009
Re-referred to APPROPRIATIONS, July 16, 2009
Re-reported as committed, July 20, 2009

DESCRIPTION AND PURPOSE OF BILL

House Bill 1654 amends the Act of July 8, 2008, P.L.796, No.56 (HB 2179 of last session), which created Chapter 61 on Mortgage Loan Industry Licensing and Consumer Protection in Title 7 (Banks and Banking) of the PA Consolidated Statutes, to expand regulation of the mortgage industry in Pennsylvania. The intent of this legislation is to bring the Commonwealth's mortgage industry licensure and regulations law into compliance with the federal Secure and Fair Enforcement Mortgage Licensing Act of 2008 (S.A.F.E.).

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

Due to the passage of S.A.F.E., Pennsylvania is required to make several changes to Chapter 61 of Title 7 or risk a preemption of Pennsylvania's regulatory powers over the mortgage industry and have such regulatory powers default to the United States Department of Housing and Urban Development. S.A.F.E. requires state law compliance by July 31, 2009.

This legislation mandates the following changes to the Mortgage Licensing Act of 2008:

- Removal of most of the licensing exemptions for loan originators under the Act. Loan originators employed by bank affiliates, governmental entities, religious organizations and non-profit entities are brought under the licensure provisions of the Act if they take mortgage loan applications or offer or negotiate terms of a mortgage loan for compensation or gain.
- Mortgage loan originators would be required to obtain surety bonds in an amount determined by the volume of lending or brokering performed in the first calendar year of licensing. These bonds would be utilized to compensate consumers that are injured by acts or omissions of mortgage loan originators.
- Loan originators pre-licensing education requirement is increased from 12 to 20 hours, which must include a specific curriculum.
- Loan originators continuing education requirement is increased from 6 to 8 hours annually, which must include a specific certain curriculum.
- The Department of Banking (Department) must deny a Mortgage Originator license to any applicant that has been convicted of any felony during the past seven years, or if the applicant has been convicted of any felony involving an act of fraud, dishonesty, breach of trust or money laundering.
- The Department must deny a Mortgage Originator license to any applicant that does not possess the financial responsibility, character, reputation, integrity and general fitness to command the confidence of the public that the licensee will operate in a lawful and honest manner. The department may consider current outstanding judgments, other than those resulting from medical expenses, current tax or government liens, foreclosures in the past three years, and a pattern of seriously delinquent accounts

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

with the past three years, as factors related to financial responsibility.

This Act will take effect immediately.

FISCAL IMPACT:

According to the Department, the changes proposed by this legislation would create a very minimal increase in costs to the Department and would be more than offset by fees that would be collected, therefore resulting in a positive fiscal impact on Commonwealth funds. The Department has also indicated that although there is no current data available to determine the number of additional licenses that would be issued, it is estimated to be very minimal.