



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 751

PRINTERS NO. 925

PRIME SPONSOR: White

### COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
Banking Fund	See "Fiscal Impact"	See "Fiscal Impact"

**SUMMARY:** Amends Title 7 (Banks and Banking) to provide for the licensure and regulation of mortgage servicers. The requirement that DOBS shall promulgate regulations would take effect immediately and the remainder of the legislation upon the effective date of such regulations.

**ANALYSIS:** This legislation amends the Mortgage Licensing Act (Chapter 61 of Title 7) to license and regulate mortgage servicers.

**License Requirements:** The legislation clarifies that a:

- Mortgage lender may act as a mortgage broker or mortgage loan correspondent without a separate license and also act as a mortgage servicer without a separate license for mortgage loans the mortgage lender has originated, negotiated or owns;
- Person licensed as a mortgage servicer may only perform the duties of a mortgage servicer.

**General Requirements:** A mortgage servicer licensee shall do the following:

- Act in good faith when the mortgage loan is paid in full by doing all of the following:
  - Request the mortgage holder release a lien on the dwelling and deliver to the consumer releases or other documents which are evidence of the release;
  - Request the mortgage holder cancel any insurance provided in connection with the mortgage loan and refund the borrower.

**Powers of Mortgage Loan Servicers:** Servicers in compliance with the provisions within the legislation are empowered to collect and remit for any lender, mortgagee, note owner, note holder, trustee or primary beneficiary any payment, interest or amount to be placed in escrow.

**Mortgage Loan Servicer Prohibitions:** Mortgage loan servicers shall not fail to establish a single point of contact for the borrower about any foreclosure matters or loss mitigation options later than the 36th day of a borrower's delinquency, unless communication is inconsistent with bankruptcy law or court order.

**Application for License:** The Department of Banking and Securities (DOBS) shall issue a license to a mortgage servicer if the applicant has:

- Been approved and meets the criteria as a residential mortgage loan servicer of at least one Federal government-sponsored entity, corporation or Federal agency;
- Established a minimum net worth of \$250,000 at the time of application and maintains this amount;
- Been approved for fidelity bond coverage;
- Obtained and maintains a surety bond for \$500,000 that will provide coverage for the mortgage servicer;
- Designated an individual as the qualifying individual for the principal place of business.

**License and Renewal Fees:** A mortgage servicer shall pay the following fees:

- An initial fee of \$2,500 for the principal place of business and an additional fee of \$1,250 for each branch location.
- Renewal fees are \$1,000 for the principal place of business and \$500 for each branch location.

**Regulations:** DOBS shall promulgate regulations which incorporate the Consumer Financial Protection Bureau's (CFPB) mortgage servicer regulations. When the CFPB's regulations are altered, DOBS shall promulgate regulations making the appropriate changes.

The regulations shall not be subject to the Commonwealth Documents Law, the Commonwealth Attorneys Act or the Regulatory Review Act.

If the federal regulations are negated, the PA regulations shall remain in effect for two years in which time DOBS shall promulgate replacement regulations.

**FISCAL IMPACT:** According to the Department of Banking and Securities, while it is unknown how many mortgage servicing companies would register with the Department, they are projecting a rough estimate of between 100 and 200 companies. If 150 companies register with the Department, this could generate \$375,000 or more for the first year which would be used by the Department to regulate and license mortgage servicing companies.

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House Appropriations Committee (R)

**DATE:** December 12, 2017

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*