SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 751

PRINTER NO. 925

AMOUNT

See Fiscal Impact

FUND

Banking Fund

DATE INTRODUCED

June 7, 2017

PRIME SPONSOR

Senator White

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 751 amends Title 7 (Banks and Banking) providing for the licensure and regulation of non-bank mortgage servicing entities.

With regard to license requirements, the legislation requires the following:

- 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;
- A person licensed as a mortgage servicer may only perform the duties of a mortgage servicer.

With regard to 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.

Mortgage 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 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.

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The Department of Banking and Securities ("department") shall issue a license to a mortgage servicer if the applicant meets the following requirements:

- 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;
- Has 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.

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.

Senate Bill 751 requires the department to promulgate regulations which incorporate the federal Consumer Financial Protection Bureau's (CFPB) mortgage servicer regulations. When the CFPB's regulations are altered, the department 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 the department shall promulgate replacement regulations.

Section 6141 of the act (requiring the department to promulgate regulations) will take effect immediately, and the remainder of the act will take effect upon the effective date of regulations.

FISCAL IMPACT:

Senate Bill 751 will have no adverse fiscal impact on Commonwealth funds.

According to the Department of Banking and Securities, while it is unknown how many mortgage servicing companies would register, the department is projecting a rough estimate of between 100 and 200 registrations. The estimate is based upon the number of companies registered in other states that now regulate these entities. If 150 mortgage servicers register with the department, approximately $375,000 would be generated in the first year, which should cover the department's costs of regulating and licensing mortgage servicing companies.