

South Carolina Board of Economic Advisors Statement of Estimated State Revenue Impact

Date: April 23, 2009 **Bill No:** S.B. 673 **Author:** Thomas **Comm. Requesting Impact:** Senate B&I

Bill Summary: A bill to amend the Code of Laws of South Carolina, 1976, so as to enact the "South Carolina Mortgage Lending Act", by adding Chapter 22 to Title 37 so as to require the licensing of a mortgage lender, loan originator, or someone acting as a mortgage lender; provide definitions; establish qualifications for licensure and grounds for revocation, suspension, renewal, and termination; describe prohibited activities; provide for record-keeping, trust and escrow accounts, and annual reports; provide for enforcement through administrative action by the Commissioner of the Consumer Finance Division (CSD) of the Board of Financial Institutions (BOFI) and through criminal penalties, and to provide for participation in a national mortgage registry; to amend Section (§) [34-1-20](#), as amended, relating to appointment of members of the state BOFI, so as to provide for a representative of the Mortgage Bankers Association; to amend [§34-1-110](#), as amended, relating to authority of certain financial institutions to engage in business, so as to provide for mortgage lenders and loan originators; to amend [§37-1-301](#), [§37-3-105](#), [§37-3-501](#), and [§37-23-20](#), all relating to definitions in connection with mortgage lending and brokering and high-cost and consumer home loans, so as to conform definitions, and to add a definition for "adjustable rate mortgage"; to amend [§37-23-40](#), [§37-23-45](#), and [§37-23-75](#), all relating to protections for the borrower in a high-cost or consumer home loan transaction, so as to require certain disclosures in connection with an adjustable rate mortgage; to amend [§29-4-20](#), relating to the definition of "reverse mortgage", so as to conform the definition; and to amend Chapter 58, Title 40, relating to the registration of mortgage loan brokers, so as to change the registration requirements to licensing requirements, to conform definitions to those set forth in the South Carolina Mortgage Lending Act, require certain professional courses, an additional year of experience, and a fingerprint check for mortgage brokers and loan originators, require certain records be kept and made accessible, add certain prohibitions in connection with a real estate appraisal, require and prescribe mortgage broker agreements, authorize enforcement by the DCA and prescribe administrative penalties including fines and injunctions and a criminal penalty, require certain reports and filings, and provide for participation in a nationwide mortgage registry. *(as further amended)*

REVENUE IMPACT ^{1/}

This bill is expected to raise respective earmarked funds of the BOFI by \$510,000 and of the DCA by \$17,500 in FY 2009-10. The bill would have no impact on state General Fund revenue.

Explanation: This bill, as amended, enacts the "South Carolina Mortgage Lending Act" by adding provisions to license a mortgage lender, loan originator, or someone acting as a mortgage lender under administration of the Commissioner of the Consumer Finance Division (CSD) of the Board of Financial Institutions (BOFI). It sets respective nonrefundable license applications fees for a mortgage lender (at \$1,000 plus \$150 per branch office) and \$50 for a loan originator, to include actual cost of a credit report and both a state (\$25) and a national (\$13.25/mail or \$30.25/electronic) criminal record check. The bill changes initial registration fees of a mortgage loan broker (total of \$750 plus \$150 per branch office) and a loan originator (at \$50) under administration of the Department of Consumer Affairs (DCA) to a licensing requirement. Costs of a credit report and a national criminal record check would be added to fees applicable to the DCA. Both agencies may authorize the Nationwide Mortgage Licensing System and Registry (NMLS&R) or a third party to collect and process fees and fingerprint cards. The bill further provides applicable fees for change of address/employment, late filing and noncompliance penalties. Licenses are renewed annually by December 31st at applicable rates. All proceeds, net of any charges passed-through, are retained as earmarked funds.

Based on info provided by each agency, we expect revenue from initial licensing of mortgage lenders/loan originators and compliance actions would raise earmarked funds of the BOFI by a total of \$510,000 in FY 2009-10. We further expect revenue from new change of address fees and compliance actions would raise earmarked funds of the DCA by a total of \$17,500 in FY 2009-10. Since no fees apply to the state's General Fund, the bill would not impact General Fund revenue.

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^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).