Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 871 (Substitute S-1 as reported)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

CONTENT

The bill would amend the Mortgage Brokers, Lenders, and Servicers Licensing Act to do all of the following:

-- Revise certain licensure and registration requirements, including requiring the licensure or registration of regulatory loan and secondary mortgage loan licensees; mortgage brokers, lenders, and servicers that were affiliates or subsidiaries of a depository financial institution; and real estate brokers who, with affiliated salespersons, brokered more than 30 mortgage loans per year.
-- Increase the Act's financial responsibility and net worth requirements.
-- Restructure the Act's fee requirements, including creating a volume-based annual operating fee.
-- Revise the Act's examination and investigation provisions.
-- Revise the Act's violation provisions, including prohibiting exclusive business requirements, taking a security interest before closing, and misleading advertising practices.
-- Require that the terms and conditions of a guaranteed rate of interest be specified in writing.
-- Revise the Act's list of entities exempted from its regulation.
-- Permit the transfer or assignment of certain loans before the disbursement of 75% of the loan's proceeds to, or for the benefit of, the borrower.
-- Allow the Commissioner of the Financial Institutions Bureau to require a licensee or registrant to make restitution for violations of the Act.

MCL 445.1651a et al. Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would continue the trend of making mortgage regulation a self-funded program. Under the current system, both license fees and examination fees fund the enforcement activities necessary to regulate this industry. All licensed or registered companies pay the same fee regardless of size or revenue. Under the proposed system the above fees would be eliminated and an operating fee would be introduced to replace them. The operating fee would be set for each company based on the number of mortgages closed and the dollar value of the loans serviced. This new fee would have to be not less than $500 and not more than $2,500, which would increase the current revenue for this program by an estimated $150,000 to $200,000.

Date Completed: 3-1-96 Fiscal Analyst: M. Barsch

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