



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 366 Introduced on February 7, 2017
Author: Cromer
Subject: Mortgage Lending and Licensing
Requestor: Senate Banking and Insurance
RFA Analyst(s): Heineman
Impact Date: February 24, 2017 - Updated for Revised Agency Response

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$153,600	\$0
Full-Time Equivalent Position(s)	2.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$473,500	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will increase Other Fund expenditures by \$153,600 in FY 2017-18 for the South Carolina Department of Consumer Affairs (DCA). There will be no expenditure impact on Other Funds from the Board of Financial Institutions (BOFI) Consumer Finance Division. This bill will increase Other Fund revenues by \$375,900 in FY 2017-18 for the DCA and \$97,600 for BOFI. The Other Fund revenue projection has been revised based on revised data provided by BOFI subsequent to the fiscal impact dated February 23, 2017.

There will be no expenditure or revenue impacts to the General Fund or Federal Funds from this bill.

Explanation of Fiscal Impact

Introduced on February 7, 2017

Updated for Revised Agency Response

State Expenditure

This bill amends the Mortgage Lending Act, the Mortgage Broker Act, and related laws. The bill conforms these statutes to federal law changes. The bill allows out-of-state mortgage brokers to do business in South Carolina and adds license requirements for mortgage lenders who also act as mortgage brokers on the majority of their mortgage loans. Additionally, the bill allows for personal residences to be licensed as a mortgage lender if the residence is located more than seventy five miles from a commercial branch office location. Finally, the bill adds transitional licenses for mortgage lenders that will be granted as authorized by and pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Requirements for applicants to

obtain criminal background checks from South Carolina Law Enforcement Division (SLED) are deleted. In general, the DCA regulates mortgage brokers and BOFI regulates mortgage lenders.

South Carolina Department of Consumer Affairs. The department anticipates the number of applications received for additional mortgage broker companies and mortgage loan originator licenses will increase by 30 percent due to the new private residence and out-of-state license applications. The additional applications will increase Other Fund expenditures by \$153,600 and two FTE positions in FY 2017-18. The expenditures include \$55,200 for an additional licensing examiner and \$73,400 for an investigator to assist with compliance reviews. The expenditure includes salary, employer fringe, and administrative costs including an estimated \$25,000 non-recurring expenditure for a vehicle for the investigator. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no expenditure impact to the General Fund or Federal Funds.

Board of Financial Institutions Consumer Finance Division. The board anticipates a similar increase of approximately 30 percent in loan originator applications. However, the additional license applications will not materially affect licensure and regulatory activities of the board. Therefore, there will be no expenditure impact on the General Fund, Other Funds, or Federal Funds for BOFI.

State Revenue

South Carolina Department of Consumer Affairs. The department expects there will be a minimum of a 30 percent increase in mortgage broker company and mortgage loan originator license applications. Based on the DCA 2016 license applications data and expectations of a 30 percent increase in mortgage broker company and mortgage loan originator license applications, we expect the Other Fund license fee revenue to increase by \$375,900 for the projected 350 mortgage broker company applications and 815 loan originator applications. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no General Fund or Federal Funds revenue impact.

Board of Financial Institutions Consumer Finance Division. According to data provided by the board subsequent to the fiscal impact dated February 23, 2017, the board anticipates an increase of approximately 30 percent for loan originator applications only and no increase for mortgage lender company applications. Therefore, we expect Other Fund license fee revenue to increase by \$97,600 for the projected 1952 loan originator applications. Proviso 79.1 requires BOFI to use mortgage lender license fee revenue to fund the board's oversight and regulatory activities. There will be no impact on revenue to the General Fund or Federal Funds.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on February 7, 2017

State Expenditure

This bill amends the Mortgage Lending Act, the Mortgage Broker Act, and related laws. The bill conforms these statutes to federal law changes. The bill allows out-of-state mortgage brokers to do business in South Carolina and adds license requirements for mortgage lenders who also act as mortgage brokers on the majority of their mortgage loans. Additionally, the bill allows for personal residences to be licensed as a mortgage lender if the residence is located more than seventy five miles from a commercial branch office location. Finally, the bill adds transitional licenses for mortgage lenders that will be granted as authorized by and pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Requirements for applicants to obtain criminal background checks from South Carolina Law Enforcement Division (SLED) are deleted. In general, the DCA regulates mortgage brokers and BOFI regulates mortgage lenders.

South Carolina Department of Consumer Affairs. The department anticipates the number of applications received for additional mortgage broker companies and mortgage loan originator licenses will increase by 30 percent due to the new private residence and out-of-state license applications. The additional applications will increase Other Fund expenditures by \$153,600 and two FTE positions in FY 2017-18. The expenditures include \$55,200 for an additional licensing examiner and \$73,400 for an investigator to assist with compliance reviews. The expenditure includes salary, employer fringe, and administrative costs including an estimated \$25,000 non-recurring expenditure for a vehicle for the investigator. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no expenditure impact to the General Fund or Federal Funds.

Board of Financial Institutions Consumer Finance Division. The board anticipates a similar increase of approximately 30 percent in mortgage lender and loan originator applications. However, the additional license applications will not materially affect licensure and regulatory activities of the board. Therefore, there will be no expenditure impact on the General Fund, Other Funds, or Federal Funds for BOFI.

State Revenue

South Carolina Department of Consumer Affairs. The department expects there will be a minimum of a 30 percent increase in mortgage broker company and mortgage loan originator license applications. Based on the DCA 2016 license applications data and expectations of a 30 percent increase in mortgage broker company and mortgage loan originator license applications, we expect the Other Fund license fee revenue to increase by \$375,900 for the projected 350 mortgage broker company applications and 815 loan originator applications. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no General Fund or Federal Funds revenue impact.

Board of Financial Institutions Consumer Finance Division. Based on the board's 2016 license applications data and factoring in the expectation that there will be a 30 percent increase in mortgage lender company and loan originator license applications we expect Other Fund license fee revenue to increase by \$1,435,000 for the projected 679 mortgage lender company applications and 8,456 lender loan originator applications. Proviso 79.1 requires BOFI to use

mortgage lender license fee revenue to fund the board's oversight and regulatory activities. There will be no impact on revenue to the General Fund or Federal Funds.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director