

2008 Special Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
 Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 3603 **STATUS:** A-Engrossed
SUBJECT: Responsible Mortgage Lending Act
GOVERNMENT UNIT AFFECTED: Department of Consumer and Business Services and
 Department of Justice
PREPARED BY: Dawn Farr
REVIEWED BY: Robin LaMonte and Doug Wilson
DATE: February 20, 2008

2007-2009 2009-2011

EXPENDITURES:
 See Analysis Section.

REVENUES:
 See Analysis Section.

EFFECTIVE DATE: Upon Passage.

INTERIM JOINT COMMITTEE ON WAYS AND MEANS: The budgetary impact of this bill was not reviewed and approved by the Interim Joint Committee on Ways and Means Committee.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

ANALYSIS: The Responsible Mortgage Lending Act establishes definitions and standards for lenders making subprime and nontraditional mortgages. The Director of Department of Consumer and Business Services (DCBS) may adopt rules to administer and enforce provisions of the act; conduct public or private investigations; take enforcement actions and impose a civil penalty of not more than \$5,000 for each violation (maximum may not exceed \$20,000); and, establish fees to meet the costs of administering bill provisions.

DCBS approach to implement the bill would be to review required disclosure documents during regularly scheduled examinations of mortgage brokers and banks, state chartered banks, credit unions and consumer finance companies. The review is expected to be limited to ensuring that required documents are included in the file. The table that follows captures projected hourly increases associated with completing this additional work.

Lending Entity	Additional Staff Hours
Mortgage Brokers and Bankers	200
Banks and Credit Unions	Unknown, minimal
Consumer Finance	400
Total Additional Hours	600

Additional staff hours were not provided for bank and credit union reviews; however, DCBS expects that very few banks and credit unions offer subprime and nontraditional home loans, so they expect an

unknown, minimal amount of additional staff work for this category. Overall, DCBS indicates that additional examination requirements can be absorbed with existing staff resources.

DCBS indicates that because their examinations will just evaluate the inclusion of proper disclosure forms, they do not anticipate that complaints will increase significantly as a result of implementing the bill. The bill provides DCBS with expanded enforcement authority; however, the Department indicates that this work can be accomplished by reprioritizing existing enforcement resources available in the finance and corporate security programs. As a result of reprioritization, fewer investigations may be conducted in these programs. DCBS anticipates a need for increased education and outreach to the industry. This need would be addressed by providing information to be included in training provided by the Mortgage Lending Education Board, a professional education board for loan originators, and by DCBS's current outreach staff and program. Rulemaking is anticipated to require an additional 160 hours of staff time, which DCBS also indicates can be absorbed with existing staff resources.

DCBS will collect additional Other Fund exam fee revenue, as exams are billed out at \$75 per hour, of \$45,000 for the remainder of 2007-09 biennium. DCBS anticipates minimal, indeterminate General Fund revenue to result from civil penalties. If cost increases exceed additional revenue generated through examination fees, DCBS may need to increase licensing fees. The Department estimates that they will not need to raise fees until 2011.

The bill also authorizes the Director of DCBS to sue violators in circuit court. If this occurs, the Department of Justice (DOJ) would provide legal representation to DCBS, and bill DCBS for these services. At this time it is not known whether DCBS will incur increased legal expenditures. Given the uncertainties surrounding this bill, DCBS or DOJ may need to return to the Emergency Board to request additional Other Fund limitation to cover future costs associated with implementation of this bill.