

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
74th Oregon Legislative Assembly
2008 Special Session
Legislative Revenue Office

Bill Number: HB 3603-A
Area: Civil Penalties
Economist: Mazen Malik
Date: Feb-20-2008

Measure Description:

Establishes definitions and standards for lenders making subprime and nontraditional mortgages. Authorizes a prepayment penalty for a subprime or nontraditional mortgage under certain conditions, and voids prepayment penalties not meeting those conditions. 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; and take enforcement actions. Establish fees to meet the costs of administering bill provisions, and impose a civil penalty of not more than \$5,000 for each violation (maximum may not exceed \$20,000).

Revenue Impact:

	2007-08	2008-09	2007-09 Biennium	2009-11 Biennium
State General Fund		\$100,000	\$100,000	\$200,000

Impact Explanation:

DCBS anticipates minimal, indeterminate General Fund revenue to result from civil penalties, however, there is inevitable number of violations that will occur, the same violation considered for a number of days will keep occurring up to \$20,000. Accordingly, LRO estimates at least 15 to 20 violations a year for the first few years until the industry acclimates to the new procedures

On the fee and cost recovery side, 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. 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 fees are a cost recovery and not considered in the revenue impact.

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. The revenue from these judgments are included in the estimates of civil penalties that shows above.