

Joint Committee on Ways and Means

Carrier – House: Rep. D. Edwards
Carrier – Senate: Sen. Monroe

Revenue: No revenue impact

Fiscal: Fiscal statement issued

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 14 – 6 – 2

House

Yeas: Buckley, D. Edwards, Gilman, Jenson, Komp, Nathanson, Shields, G. Smith

Nays: Garrard, Richardson

Exc: Galizio, Kotek

Senate

Yeas: Bates, Carter, Johnson, Monroe, Verger, Walker

Nays: Girod, Nelson, Whitsett, Winters

Exc:

Prepared By: Susie Jordan, Legislative Fiscal Office

Meeting Date: April 10, 2009

WHAT THE MEASURE DOES: Approves increased fees for Department of Consumer and Business Services, Division of Finance and Corporate Securities examinations and audit for mortgage lending, prearranged funeral plans, credit service organizations, collection agencies, consumer finance lenders, debt consolidation agencies, money transmitters and pawnbroker programs from \$60 to \$75; increases Consumer finance short-term lender applicant or licensee from \$520 to \$1200; and Increases Consumer finance conventional lender applicant or licensee fee from \$520 to \$600.

ISSUES DISCUSSED:

- Revenue generated
- Supported by industry

EFFECT OF COMMITTEE AMENDMENT: Reduces fee for Consumer finance short-term lender applicant or licensee from proposed \$1200 to \$750.

BACKGROUND: The Mortgage Lending Program was established in 1993. Historically, mortgage loans were made by banks, credit unions, and savings and loans. Over time, these institutions started focusing on commercial lending and a new type of loan funder and loan broker emerged. These lenders and brokers needed to be authorized to do business in Oregon, and consumers needed a place to go to check a lender's credentials and to obtain help when they were is treated. The boom in the real estate market in the early 2000s prompted more loan originators to enter the business, and the Legislature charged DCBS with overseeing loan originators in 2001. As the growth in the industry continued, nontraditional loan products emerged, resulting in more consumer complaints and a need for stronger oversight of mortgage lenders. In response DCBS increased education and supervision requirements, provided more outreach to consumers and targeted misleading advertising. The recent crisis in the subprime mortgage market as well as the current economic downturn has brought more changes to the industry. Oregon, like the rest of the nation, has seen a rise in mortgage delinquencies and foreclosures, and the increase is likely to continue as many homeowners with subprime mortgages will see their payments rise in 2009 and beyond. Even though the subprime lending crisis has caused many professionals to exit the business, the number of licensees has remained relatively steady. The largest decrease has been in the number of out-of-state loan originators, which has dropped by more than 60% in the past 18 months.

State law requires that "the performance of the various duties and functions of the department in connection with each of its programs shall be financed by the fees, assessments and charges established and collected in connection with those programs." The agency charges an hourly rate for examinations. Billing hours do not include travel time associated with an examination, or other non-billable hours including processing complaints or other calls, training, meetings or paid leave time. As a result, the increase in exam revenue is not enough to fully pay expenses of the program requiring an increase in fees for mortgage brokers, bankers, and loan originators.