

**Senate Bill 279** relating to: An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.

<b>BILL SPONSORS</b>	<p>Introduced by Senators Schultz, S. Fitzgerald, Kanavas, Lazich, Wirch, Lassa, Breske, Plale, M. Meyer, Stepp, Kedzie and Roessler; cosponsored by Representatives</p> <p>Cosponsored by Representative Jeskewitz,</p>
<b>BILL HISTORY</b>	<p>Senate Bill 279 was introduced on 10-21-03 and referred to the Committee on Agriculture, Financial Institutions and Insurance.</p> <p>A public hearing was held on 10-30-03.</p> <p>An executive session was held on 11-05-03, by polling and adopted Senate Substitute Amendment 1, Ayes 5, Noes 0,</p> <p>The committee recommended passage as amended, Ayes 5, Noes 0</p>
<b>LRB ANALYSIS</b>	<p>This bill makes various changes to the laws governing mortgage banking and mortgage brokering. Significant changes include:</p> <p><b>Competency examinations</b></p> <p>This bill establishes competency examination and continuing education requirements applicable to certain agents, called loan originators, of mortgage bankers and mortgage brokers. Current law does not contain any such requirements. A loan originator is generally a person who finds or negotiates a mortgage loan for or on behalf of a mortgage banker or mortgage broker. With certain exceptions, this bill requires an applicant for registration as a loan originator to pass a written examination covering primary and subordinate mortgage financing transactions and the laws regulating mortgage bankers and mortgage brokers. This requirement must be satisfied as a condition of the Division of Banking (division) approving an application for registration as a loan originator. This examination requirement first applies to persons who have applications pending on July 2, 2004. The bill also requires each loan originator, as a condition of renewing a registration, to successfully complete at least 16 hours of education covering primary and subordinate mortgage financing transactions and the laws regulating mortgage bankers and mortgage brokers or to pass an examination or series of examinations demonstrating satisfactory knowledge of these subjects. This requirement first applies to persons who have applications pending on July 1, 2006. The bill creates a loan originator council for the purpose of approving the program of continuing education and the content of the competency examinations. The division, by rule, must establish standards for the loan originator council to follow in approving the program of continuing education and the content of the competency examination.</p> <p><b>Criminal background checks</b></p> <p>The bill requires the employer of each applicant for registration as a loan originator, or, in certain cases, for renewal of registration, to obtain a criminal history search from the Department of Justice, showing the applicant's criminal arrest and conviction record in this state. The employer must submit the results of the search</p>

to the division. Under the bill, the division may not issue or renew a registration if the results of the search indicate that the applicant has been convicted of a felony and, as a result of the conviction, represents an unreasonable risk of violating the subchapter of the statutes that generally governs mortgage bankers, mortgage brokers, and loan originators.

***Regulation of consumer brokerage agreements***

Currently, the rules of DFI regulate the content of brokerage agreements. This bill requires every brokerage agreement between a mortgage broker and a consumer to be in writing, in the form prescribed by rule of the division, and to contain all information required by rule of the division. Under the bill, the division must promulgate these rules for the purpose of facilitating the comparison of similar charges and total charges assessed by different mortgage brokers. The bill also requires a mortgage broker to give a consumer a disclosure statement which contains a brief explanation of the relationship between the consumer and the mortgage broker under the brokerage agreement and the manner in which the mortgage broker may be compensated, and any additional information required by rule of the division. The mortgage broker must explain the content of the disclosure statement and ensure that the consumer initials or signs the statement, acknowledging that the consumer has read and understands the statement. Under the bill, a consumer generally means an individual who seeks or acquires mortgage brokerage services for personal, family, or household purposes. The rules required under these provisions must be promulgated in consultation with the loan originator council.

***Penalties and limitations on liability***

This bill raises the maximum potential forfeiture (civil penalty) for certain violations of the mortgage banking and mortgage brokering laws from \$1,000 to \$2,000 and increases the maximum potential liability for these violations in certain private causes of action from \$1,000 to \$2,000. The bill also raises the maximum potential fine and imprisonment (criminal penalties) for violating a registration requirement under the mortgage banking and mortgage brokering laws from \$1,000 and six months to \$2,000 and nine months.

Because this bill creates a new crime or revises a penalty for an existing crime, the Joint Review Committee on Criminal Penalties may be requested to prepare a report concerning the proposed penalty and the costs or savings that are likely to result if the bill is enacted.

Senate Amendment 1 as adopted, was a technical amendment which changed the date of enactment by one year in two places in the bill.

**FISCAL EFFECT**

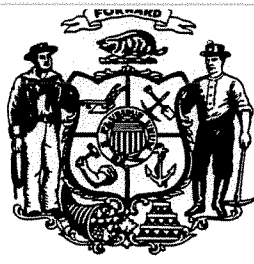
No State or Local Government Fiscal Effect noted.

**SUPPORT**

**The following person/people appeared in favor of this bill:** (1) Peggy Moede, WI Assn. of Mortgage Brokers, Madison, (2) Brian Goode, WI Assn. of Mortgage Brokers, Caledonia, (3) S. Mirielle Enlow, World Savings Bank, Milwaukee, (4) Lloyd Levin, Roddus & Lloyd, Milwaukee, (5) Dirk Todd, Mortgage One Financial Services, Madison

**The following person/people registered in favor of this bill:** (1) Sen. Dale Schultz, 17th State Senate District, Madison, (2) Amy Boyer, WI Mortgage Bankers, Madison Jodi Bloch, Wisconsin Bankers Assn, Madison, (3) Ryan Riphenburg, Milwaukee (4) Kathy Savaglio, Ideal Financial, Brookfield, (5) Ed Hughes, Monticello Mortgage, New Berlin. (6) Richard Parins, WI Assn. of Mortgage Brokers, DePere, (7) Terri

	<p>Darling, Field Crest Mortgage, Waukesha</p> <p>No one registered his or her support for the bill with the State Ethics Board, who did not testify or register at the public hearing.</p> <p>The following organization(s) registered their intention to lobby on SB 279 but did not take a position on the bill: (1) American International Group, Cedant Corp.</p>
<b>OPPOSITION</b>	<p><b>No one appeared in opposition to this bill:</b></p> <p><b>No one registered in opposition to this bill:</b></p> <p>Citigroup Management Corporation registered their opposition for the bill with the State Ethics Board, but did not testify or register at the public hearing.</p>
<b>CONTACT</b>	<p><b>John O'Brien Committee Clerk, Sen. Ag. Financial Inst. &amp; Insurance</b></p>
<b>DATE</b>	<p><b>11-05-04</b></p>



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

***Senator Dale W. Schultz, Chairman***

To: Members, Senate Committee on Agriculture, Financial Institutions, and Insurance

From: Senator Schultz, Chairman

Re: SB 279 Loan Originator Education

Enclosed is a copy of a Substitute Amendment to Senate Bill 279 (LRB-S0227/2), which will come before the committee on Oct. 30, 2003. I am thankful to the Wisconsin Association of Mortgage Brokers, Wisconsin Mortgage Bankers Association, the Wisconsin Bankers Association, and the Wisconsin Department of Financial Institutions for their work in reaching the compromise contained in this Substitute Amendment.

The Substitute Amendment provides an exemption for loan originators employed by subsidiaries of banks and bank holding companies, as the fiduciary matters of these institutions are currently regulated to ensure competent loan originators. In addition, the substitute amendment changes the composition of the advisory council, which will provide flexibility in appointing members. Finally, technical changes will accommodate DFI in administering these requirements. The following is a list of additional provisions contained in the Substitute Amendment.

- One time initial licensing exam to become a licensed loan originator
- 16 Hours of Continuing Education during the two-year licensee period or a test out provision, which covers the material discussed during the 16 hours of Continuing Education.
- Criminal background-check of all licensed loan originators paid for by the employer. This is a one-time background check per employer. If loan originator changes companies, another criminal background check would then have to be preformed at the time of their license renewal.
- License renewal exam that each loan originator would take to ensure that they are up-to-date with current laws, new technologies, and consumer protection measures. Taken either after continuing education classes or before the renewal of their loan originator license.
- Increase in penalties and fees for any violations of WI law.
- The creation of a uniform "Standardized Broker Agreement" which would allow the consumer to comparison shop.
- Creation of an advisory council which will make recommendations to DFI on the administration of the educations, what should be included within the testing and the 16 hours of continuing education. The council would be comprised of three loan originators, a combination of three mortgage bankers or mortgage brokers and a member of DFI.
- This Substitute Amendment is supported by the Wisconsin Bankers Association, Community Bankers of Wisconsin, the Wisconsin Mortgage Bankers Association, Wisconsin Association of Mortgage Brokers, and DFI.

I encourage you to support the important legislation that will ensure competency for those assisting consumers in the biggest purchase of their lives.



# SUE JESKEWITZ

State Representative • 24th Assembly District

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**Senate Substitute Amendment to SB 279  
Loan Originator Written Testimony  
Committee on Agriculture, Financial Institutions and Insurance  
October 30, 2003**

Thank you Chairman Schultz and members of the Senate Committee on Agriculture, Financial Institutions and Insurance for hearing Senate Substitute Amendment to SB279, the companion bill to Assembly Bill 610.

You may remember from my testimony last session, that the Mortgage Broker industry approached me and expressed that there was a desire from within the industry to have regulations imposed on them to legitimize the industry. They wanted this proactive step to reassure the public that the person handling their mortgage loan is competent and knowledgeable.

This bill will ensure that individually licensed loan originators through the Department of Financial Institutions, who assist consumers with the largest purchase of their lives, their homes, will be knowledgeable of the laws and have the ability to explain the process in detail to the consumer, all of which will allow the consumer to make an informed decision.

There are four main components of the bill:

- 1) Examinations and continuing education for loan originators –**
  - \*\* One time initial licensing exam to become a licensed loan originator,
  - \*\* 16 Hours of Continuing Education during the two-year licensee period or a test out provision, which covers the material discussed during the 16 hours of Continuing Education,
  - \*\* License renewal exam that each loan originator would take to ensure that they are up-to-date with current laws, new technologies and consumer protection measures. Taken either after continuing education classes or before the renewal of their loan originator license;
- 2) Consumer protection for Wisconsin residents –**
  - \*\* Criminal background-check of all licensed loan originators paid for by the employer. This is a one-time background check per employer. If loan originator changes companies, another criminal background check would then have to be preformed at the time of their license renewal,
  - \*\* The creation of a uniform "Standardized Broker Agreement" which would allow the consumer to comparison shop;

**3) Creation of an Advisory Council –**

**\*\*Creation of an advisory council which will make recommendations to DFI on the administration of the educations, what should be included within the testing and the 16 hours of continuing education. The council would be comprised of three loan originators a mortgage banker, a mortgage broker, a public individual and a member of DFI, all of whom would be appointed by the secretary of DFI; and**

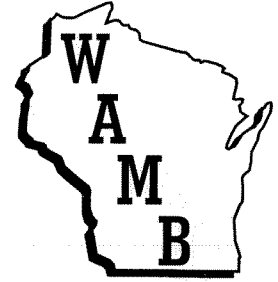
**4) Increased penalties and fees for violators.**

The exemption for certain loan originators is due to the fact that the federal government already regulates certain types of financial institutions and therefore it is unnecessary for the state to impose further regulation. The Wisconsin Bankers Association, Community Bankers of Wisconsin, Mortgage Bankers Association, Wisconsin Association of Mortgage Brokers, and DFI support this legislation.

Lastly, as you consider the fiscal note on this bill, I feel it is important for you to know that when the fees were raised for Loan Originators in 1998 from \$35 to \$250 a verbal agreement was made to the Mortgage Brokers that part of this increase would cover an education component. As you know, the Department of Financial Institutions lapses a considerable sum of money to the general fund each year. In FY 1998 that lapse was \$15 million (not including the \$1.2 million amount equal to ten percent of their expenses they were allowed to hold back), in FY 2003 that number increased to \$26.4 million. Therefore, one could argue that loan originators have been paying for this bill since 1998 without receiving the promised benefits this bill provides.

Thank you again for hearing this bill and I encourage your support for Senate Substitute Amendment to SB279 as it makes its way through this committee and again when it comes for a vote before the full Senate.

# WISCONSIN ASSOCIATION OF MORTGAGE BROKERS



TO: Senate Committee on Agriculture, Financial Institutions and Insurance  
FROM: Brian Goode, President-Elect of the WI Association of Mortgage Brokers  
DATE: October 30, 2003  
RE: Support of Senate Substitute Amendment 1 to Senate Bill 279

Good Morning Mr. Chairman and committee members, I am Brian Goode, President-Elect of the Wisconsin Association of Mortgage Brokers (WAMB). WAMB is the largest trade group representing the Mortgage Broker profession in Wisconsin and I am very pleased to be here in support of Substitute Amendment 1 to Senate Bill 279.

The mortgage profession has grown considerably over the last decade. On a national average, individually licensed loan originators service well over half of all home loans.

However, as an industry we feel there are some major issues which have not been addressed until today. Substitute Amend 1 to Senate Bill 279 puts in place a standard in which to measure the knowledge of loan originators and ensure that the consumer is dealing with an individual who is proficient and knowledgeable of all the rules and regulations in buying a home. This bill will ensure that all loan originators, who are assisting consumers with the largest purchase of their lives, will be knowledgeable of the intricate laws surrounding the mortgage lending process.

SSA 1 to SB 279 will require a one time initial licensing exam to become a licensed loan originator. This will be required of all new loan originators as well as all current loan originators at the time of their license renewal. This written exam will cover primary & subordinate mortgage transactions and the laws which regulate mortgage bankers and mortgage brokers.

The bill will require 16 Hours of Continuing Education during the two year licensee period for each individually licensed loan originator and in conjunction with the 16 hours; the loan originator must pass a series of exams demonstrating satisfactory knowledge of what was covered within the 16 hours of continuing education. These competency exams following the continuing education will ensure that every loan originator is up-to-date with current laws, new technologies and consumer protection measures.

There will be a criminal background check of all loan originators paid for by the employer. The background check will search the state's Department of Justice records which will show the criminals arrest and conviction record in this state.

The bill will also require a Standardized Broker Agreement, which requires that every brokerage agreement between a mortgage broker and a consumer be in writing. Along with a consumer disclosure statement, included is a brief explanation of the relationship between the consumer and the mortgage broker and how the brokers are compensated, as well as any fees to the borrower. Consumers should be fully informed of how the origination process works and how the fees they pay for arranging their loans are determined, regardless of who originates the loan. Consumers are entitled to know what the originator is going to do in the transaction, and what choices are available that could affect both the way the originator is compensated and the amount of the compensation that the consumer will have to pay upfront at closing.

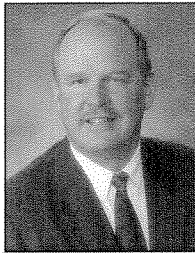
This bill will increase the civil penalty maximum from \$1,000 to \$2,000 and increase the maximum potential liability for violations in private causes of action from \$1,000 to \$2,000. This bill will also raise the criminal penalties from \$1,000 and six month imprisonment to \$2,000 and nine months.

Lastly, there will be a creation of an advisory council, which would make recommendations to DFI on continuing education.

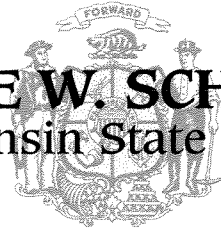
As an industry we feel this bill is long overdue and we respectfully ask the committee members to support this solid piece of legislation.

We would be happy to address any questions you have at this time.





**DALE W. SCHULTZ**  
Wisconsin State Senator



**October 30, 2003**

**Members, Senate Committee on Agriculture, Financial Institutions & Insurance**

**Re: SB 279**

Dear Members,

As author, I would like to thank you for your consideration of this Senate Substitute Amendment to SB 279.

A home is the biggest purchase most people will ever make. This compromise legislation ensures that loan originators, operating in Wisconsin, meet education and licensing standards aimed at protecting those most affected – mortgage consumers.

Loan originators need to know the law and be able to explain to a homebuyer how the process works. This Substitute Amendment will ensure that consumers are able to make informed decisions during the home buying process.

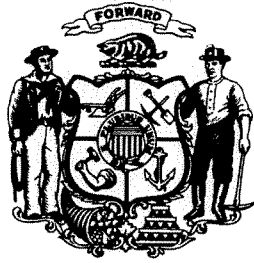
This Substitute Amendment puts in place several requirements for the each loan originator. Exempted are loan originators employed by subsidiaries of banks and bank holding companies, which we have found to be sufficiently regulated to ensure fiduciary stability and competent loan originators. The bill requires prospective loan originators to take an **initial licensing exam** covering all aspects of mortgage financing transactions and laws regulating the mortgage industry. They must also complete **16 hours of Continuing Education** and pass a competency examination **or** chose to complete a **test out exam** covering the material presented in each Continuing Ed session. These provisions keep each loan originator knowledgeable of changing laws, new technologies, and consumer protection measures.

This Substitute Amendment also creates an **advisory council**, which will make recommendations to DFI on the administration of education requirements, and what should be included within the testing and the 16 hours of continuing education. The council will be comprised of three loan originators, a combination of three mortgage bankers or mortgage brokers, and a representative of DFI.

In addition, **criminal background checks** will also be required at the employer's expense and submitted to DFI. If a loan originator changes companies, another criminal background check would then have to be preformed at the time of their license renewal. This gives DFI the authority to refuse licensure to those that pose an unreasonable risk of violating laws governing loan originators. In addition, the Substitute Amendment increases criminal penalties from \$1000 and six months imprisonment to \$2000 and nine months imprisonment.

I am grateful to the Wisconsin Association of Mortgage Brokers, Wisconsin Mortgage Bankers Association, the Wisconsin Bankers Association, and the Wisconsin Department of Financial Institutions for their hard work and cooperation on behalf of homebuyers across the state.

I respectfully request that the committee give its unanimous support to this important legislation.



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk. John O'Brien

**COMMITTEE BALLOT**

Senator Dale Schultz  
Room # 18 South  
State Capitol  
Madison, WI 53707-7882

From;  
Senator Dale Schultz, Chairman

Dear Senator Schultz,

On Thursday October 30th, 2003 our committee held a public hearing on Senate Bill 279 and Senate Substitute 1 to Senate Bill 279. An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.

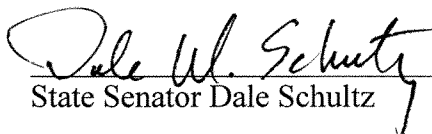
Based on the testimony received by the committee during the public hearing, the Chair respectfully requests your vote on the following motions.

Motion for Introduction and Adoption of ;  
(LRB S 0227/2 attached) Senate Substitute Amendment 1 to Senate Bill 279.

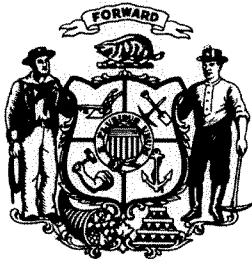
Aye  \_\_\_\_\_ Nay \_\_\_\_\_

Motion for Passage as Amended.

Aye  \_\_\_\_\_ Nay \_\_\_\_\_

  
State Senator Dale Schultz

11/03/03  
Date



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk, John O'Brien

**COMMITTEE BALLOT**

Senator Dave Hansen  
Room # 319 South  
State Capitol  
Madison, WI 53707-7882

From;  
Senator Dale Schultz, Chairman

Dear Senator Hansen,

On Thursday October 30th, 2003 our committee held a public hearing on Senate Bill 279 and Senate Substitute 1 to Senate Bill 279. An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.

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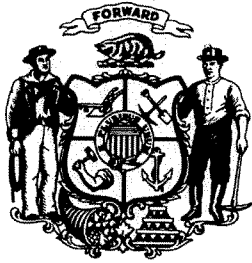
Aye   X              Nay       

Motion for Passage as Amended.

Aye   X              Nay       

  
State Senator Dave Hansen

11 3 03  
Date



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk. John O'Brien

**COMMITTEE BALLOT**

Senator Julie Lassa  
Room 3 South  
State Capitol  
Madison, WI 53707-7882

From;  
Senator Dale Schultz, Chairman

Dear Senator Lassa,

On Thursday October 30th, 2003 our committee held a public hearing on Senate Bill 279 and Senate Substitute 1 to Senate Bill 279. An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.


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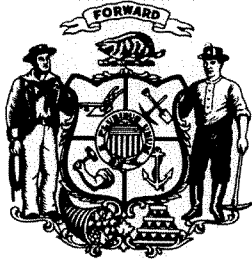
Aye   X        Nay       

Motion for Passage as Amended.

Aye   X        Nay       

  
State Senator Julie Lassa

  11/14/03    
Date



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk, John O'Brien

**COMMITTEE BALLOT**

Senator Ron Brown  
Room # 104 South  
State Capitol  
Madison, WI 53707-7882

From;  
Senator Dale Schultz, Chairman

Dear Senator Brown,

On Thursday October 30th, 2003 our committee held a public hearing on Senate Bill 279 and Senate Substitute 1 to Senate Bill 279. An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.


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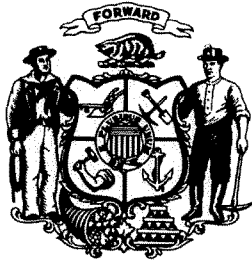
Aye   X        Nay       

Motion for Passage as Amended.

Aye   X        Nay       

  
State Senator Ron Brown

11/4/03  
Date



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk, John O'Brien

**COMMITTEE BALLOT**

Senator Neal Kedzie  
Room # 313 South  
State Capitol  
Madison, WI 53707-7882

From;  
Senator Dale Schultz, Chairman

Dear Senator Kedzie,

On Thursday October 30th, 2003 our committee held a public hearing on Senate Bill 279 and Senate Substitute 1 to Senate Bill 279. An Act to renumber 224.71 (1c) and 224.72 (3); to amend 15.09 (6), 224.72 (3) (title), 224.72 (5) (a), 224.72 (7m) (intro.), 224.77 (1m) (a), 224.80 (1) and 224.80 (2) (a) 1.; and to create 15.187, 224.71 (1d), 224.72 (3) (b), 224.72 (3) (c), 224.72 (7) (d) and (e), 224.72 (7m) (am), 224.72 (7p), 224.755 and 224.79 of the statutes; relating to: qualifications of certain agents of mortgage bankers and mortgage brokers, consumer mortgage brokerage agreements, granting rule-making authority, and providing a penalty.

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Aye  \_\_\_\_\_ Nay  \_\_\_\_\_

Motion for Passage as Amended.

Aye  \_\_\_\_\_ Nay  \_\_\_\_\_

  
\_\_\_\_\_  
State Senator Neal Kedzie

11/3/03  
Date

## **Procedure for Senate Substitute Amendment to SB 279**

### **Members have memo on Sub.**

- Motion for introduction and Adoption of  
Senate Substitute Amendment to Senate Bill 279
  
- Discussion
  
- Motion Passage as amended

**Fiscal Estimate Narratives**  
**DFI 10/29/2003**

LRB Number	03-3059/2	Introduction Number	SB-279	Estimate Type	Original
<b>Subject</b>					
mortgage brokers and mortgage bankers					

**Assumptions Used in Arriving at Fiscal Estimate**

This bill affects the licensing of mortgage loan originators by requiring applicants to pass a written examination. Additionally, licensed loan originators seeking renewal must complete continuing education requirements in order for their license to be renewed. A loan originator council is created for the purpose of approving the program of continuing education and the content of competency examinations.

The Division of Banking is to establish standards and processes for the council to follow in approving the program of continuing education and the content of the competency examination. The exam may be administered by the technical college system board or a professional trade association.

Costs associated with administering this bill will include 2.0 project positions - a professional mortgage banking specialist and a program assistant. The positions will be needed beginning July 1, 2004 for two years.

The positions will: develop and promulgate rules establishing the standards for the continuing education requirements, the content of the competency examination and fees; administer a contract for test development and test administration; staff the council; work with the technical college system and trade associations to ensure courses are available for licensees; inform licensees of new requirements and respond to licensee inquiries; track completion of both examination and education requirements and inform applicants who fail to comply; and respond to challenges and appeals.

Initial development and implementation will create the most significant impact on the work performed by the Division. Resources required for on-going administration associated with the testing and continuing education requirements for the 11,500 licensees will be reevaluated.

Complexity in administering the examination and education requirements is created because 43% of the licensed loan originators and 55% of the licensed mortgage bankers and brokers who they work for are located out of state. The provision of testing and continuing education opportunities to out of state licensees increases cost by increasing the scope of testing and training tools/opportunities that must be made available.

**Project Position Costs:**

Mortgage Banking Specialist @ \$20.00/hr \$41,760

Program Assistant @ \$12.00/hr 25,056

Total Salaries \$66,816

Fringe Benefits @ 36.77% 24,568

Total Salaries and Fringe Benefits \$91,384

Supplies and Services \$1,900 per position 3,800

Total \$95,184

The effect on revenue is not known at this time. It is possible that license revenue may decrease if licensees do not have easy access to complete the additional requirements.

**Long-Range Fiscal Implications**