

### Fiscal Estimate – 2009 Session

Original     Updated     Corrected     Supplemental

<b>LRB Number</b>	<b>Introduction Number</b>												
<b>Description</b> <p>The Wisconsin Department of Financial Institutions, Division of Banking proposes an order to repeal and recreate chs. DFI—Bkg 40, 41, 42 and 43; amend s. DFI—Bkg 44.01(1)(f) and create s. DFI—Bkg 44.01(1)(g); repeal ch. DFI—Bkg 45; and create ch. DFI—Bkg 47 relating to the transition from a registration system to a license system under subch. III, ch. 224, Stats., branch offices, mortgage broker agreements, surety bonds and trade names.</p>													
<b>Fiscal Effect</b>  <b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <table style="width:100%; margin-top: 10px;"> <tr> <td style="width:33%;"><input type="checkbox"/> Increase Existing Appropriations</td> <td style="width:33%;"><input checked="" type="checkbox"/> Increase Existing Revenues</td> <td style="width:33%;"><input checked="" type="checkbox"/> Increase Costs- May be possible to absorb within agency's budget</td> </tr> <tr> <td><input type="checkbox"/> Decrease Existing Appropriations</td> <td><input type="checkbox"/> Decrease Existing Revenues</td> <td style="text-align: center;"><input checked="" type="checkbox"/> Yes    <input type="checkbox"/> No</td> </tr> <tr> <td><input type="checkbox"/> Create New Appropriations</td> <td></td> <td><input type="checkbox"/> Decrease Costs</td> </tr> </table> <b>Local:</b> <input checked="" type="checkbox"/> No Local Government Cost <input type="checkbox"/> Indeterminate <table style="width:100%; margin-top: 10px;"> <tr> <td style="width:33%;">           1. <input type="checkbox"/> Increase Costs               <input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory            2. <input type="checkbox"/> Decrease Costs               <input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory         </td> <td style="width:33%;">           3. <input type="checkbox"/> Increase Revenue               <input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory            4. <input type="checkbox"/> Decrease Revenue               <input type="checkbox"/> Permissive    <input type="checkbox"/> Mandatory         </td> <td style="width:33%;">           5. Types of Local Government Units Affected  <input type="checkbox"/> Towns    <input type="checkbox"/> Village    <input type="checkbox"/> Cities  <input type="checkbox"/> Counties    <input type="checkbox"/> Others  <input type="checkbox"/> School Districts    <input type="checkbox"/> WTCS Districts         </td> </tr> </table>		<input type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs- May be possible to absorb within agency's budget	<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs	1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Increase Existing Appropriations	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs- May be possible to absorb within agency's budget											
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No											
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Decrease Costs											
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts											
<table style="width:100%;"> <tr> <td style="width:50%;"><b>Fund Sources Affected</b></td> <td style="width:50%;"><b>Affected CH. 20 Appropriations</b></td> </tr> <tr> <td><input type="checkbox"/> GPR    <input type="checkbox"/> FED    <input checked="" type="checkbox"/> Pro    <input type="checkbox"/> SEC    <input type="checkbox"/> SEGS s. 20.144(1)(g)</td> <td></td> </tr> </table>		<b>Fund Sources Affected</b>	<b>Affected CH. 20 Appropriations</b>	<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> Pro <input type="checkbox"/> SEC <input type="checkbox"/> SEGS s. 20.144(1)(g)									
<b>Fund Sources Affected</b>	<b>Affected CH. 20 Appropriations</b>												
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> Pro <input type="checkbox"/> SEC <input type="checkbox"/> SEGS s. 20.144(1)(g)													
<b>Agency/Prepared By</b> Department of Financial Institutions/Susan Dietzel	<b>Authorized Signature</b> Susan Dietzel	<b>Date</b> 8/3/09											

## Fiscal Estimate Narratives

<b>LRB Number</b>	<b>Introduction Number</b>
<b>Description</b> <b>The Wisconsin Department of Financial Institutions, Division of Banking proposes an order to repeal and recreate chs. DFI—Bkg 40, 41, 42 and 43; amend s. DFI—Bkg 44.01(1)(f) and create s. DFI—Bkg 44.01(1)(g); repeal ch. DFI—Bkg 45; and create ch. DFI—Bkg 47 relating to the transition from a registration system to a license system under subch. III, ch. 224, Stats., branch offices, mortgage broker agreements, surety bonds and trade names.</b>	

### Assumptions Used in Arriving at Fiscal Estimate

This rule provides for the transition from the current mortgage banking licensing system to the Nationwide Mortgage Licensing System and Registry (NMLS), as required by 2009 Wisconsin Act 2.

It converts the license fee for mortgage brokers and mortgage bankers from a 2-year renewal to an annual fee. Currently, half of licenses renew in any given year. The rule also creates a \$350 fee for a branch office.

The current rule includes fees for testing of loan originators as well as fees for providers of continuing education. Those fees are no longer in place as testing and continuing education will be administered nationally, with no revenue to Wisconsin.

The Department currently uses an external vendor and hosted database to administer and manage the Mortgage Banking program. All license data is maintained in this database. The vendor conducts pre-license testing, administers the continuing education program, collects fees, and maintains the database.

Development of the NMLS system is still in progress with actual final functionality not completely determined yet.

#### Revenue Estimate Assumptions:

There are currently 400 licensed mortgage bankers and 350 mortgage brokers. Because of the increased financial requirements, it is estimated that approximately 20% of brokers will choose not to renew as mortgage brokers. Other than that estimated reduction in the number of licensed brokers, it is assumed that the number of new licensees and routine non-renewals will be approximately equal; therefore, revenue estimates are based on current licensee numbers.

Annually, approximately 1,200 individuals take a test to become a mortgage loan originator. Currently, they pay a fee of \$150 to the department. Beginning in January, 2010, this revenue will no longer be received by the Department.

Additionally, the department collects approximately \$11,000 from providers of continuing education as part of approving them to provide required continuing education courses to mortgage loan originators. Under NMLS, those fees will no longer be revenue to the department.

#### Revenue Estimate:

The annualized revenue changes will begin January 1, 2011. During the transition phase, beginning August 2009 and continuing through December 2010, annual revenue differences will be somewhat less as licensees pay the pro-rated fees included in the rule.

#### Mortgage Bankers

Annual revenue under proposed rule:

400 licensees x \$1,000 fee = \$400,000

Current revenue:

400 licensees x 50% renewing annually x \$1,000 fee = \$200,000

On-going revenue increase = \$200,000

#### Mortgage Brokers

Annual revenue under proposed rule:

350 licensees x 80% choosing to renew with new requirements x \$750 fee = \$210,000

Current revenue:

350 licensees x 50% renewing each year x \$750 license fee = \$131,250

On-going revenue increase = \$78,750

#### Branch Offices

Annual revenue under proposed rule:

Certain licensees, including mortgage brokers and certain loan originators may opt to become licensed as branch offices. The number is not known at this time, but assuming an estimated 70 licensed branches at a fee of \$350, branch revenue would total \$24,500.

Current revenue: \$0

On-going revenue increase = \$24,500

#### Loan Originator Testing

1,200 test takers x \$150 test fee no longer received = \$180,000 decrease in revenue

#### Continuing Education

Reduction of approximately \$11,000 annually from continuing education providers who pay a fee of \$100 to become a provider and \$150 for each course.

#### Annual Revenue Change Summary:

Mortgage Bankers	\$200,000
Mortgage Brokers	78,750
Branches	24,500
Loan Originator Test Fees	- 180,000
Continuing Education	- 11,000
Total Annual Revenue Increase	\$112,750

#### Expenditure Estimate:

The NMLS System applies nation-wide standards to mortgage bankers, brokers, branches and loan originators. However, the system does not accommodate state specific laws. For instance, Wisconsin law has its own bonding and net equity requirements and creating a system that tracks financial responsibility requirements at the state level will need to be addressed.

Additionally, the NMLS will not house historic information pertaining to current and former licensees that the Department will need to continue to access. The Department currently uses an external vendor and hosted database to administer and manage the mortgage banking program. Work will need to be done to transition this information to DFI servers.

Mortgage banking loan originator licenses are subject to the state-required license match with the Department of Revenue for tax purposes and with the Department of Development. A means to perform those matches will need to be developed using information from the NMLS system.

To make these system changes and convert to the NMLS system, technology costs are expected to be approximately \$50,000.

There will also be one-time costs during the transition period to accommodate the pro-rated fee included in the rule, prepare printed and electronic material describing the changes and respond to inquiries from the industry. Estimated costs for special processing along with preparing and mailing materials for this transition total approximately \$7,000.

Total Costs: \$57,000

### **Long-Range Fiscal Implications**