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SFA BILL ANALYSIS

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Senate Bill 413 (Substitute S-2 as reported by the Committee of the Whole)
Sponsor: Senator Michael J. Bouchard
Committee: Financial Services

CONTENT

The bill would amend the secondary mortgage loan Act to eliminate the current license fee and examination fee and require, instead, that an applicant for licensure or registration under the Act pay an investigation fee and that licensees and registrants pay an annual operating fee based on their volume of secondary mortgage activity in the previous year. Total revenue from fees would be limited to the estimated cost of enforcing the Act. The bill would require one license or registration fee to be assessed for each entity subject to the Act, rather than requiring a separate license for each office location.

The bill would require certain type of entities in the secondary mortgage loan business to register with the Commissioner of the Financial Institutions Bureau (FIB), in lieu of licensure. The Act also would be expanded to include regulation of servicers of secondary mortgage loans.

The bill would grant the FIB Commissioner a broader range of regulatory enforcement options, including the authority to issue cease and desist orders, assess civil fines, appoint conservators, and summarily suspend a license or registration if an imminent threat of financial loss or threat to the public welfare existed.

The bill also would allow a higher up-front fee on a secondary mortgage loan to reduce a borrower's interest rate charges. Licensees and registrants could charge a prepayment fee that did not exceed the amount permitted on first mortgages and could impose charges that are permitted under Federal lending programs designed to promote secondary mortgage lending.

The bill would remove the $3,000 minimum on the amount of a secondary mortgage loan and allow a secondary mortgage loan to be secured by other collateral in addition to real estate.

The bill specifies that the Act would not apply to an affiliate or subsidiary of a depository financial institution or a depository financial institution holding company if the depository institution maintained an office or branch office in Michigan.

MCL 493.51 et al. Legislative Analyst: P. Affholter

FISCAL IMPACT

This bill would change the current fee structure in place for secondary mortgage companies by providing for only one license to be issued, basing the amount of the license fee on the volume of business for the entire company from the previous year. Under the current structure, a fee is assessed for each license location of a secondary mortgage company. According to the Department of Consumer and Industry Services, this bill would have no fiscal impact on the State because the new fee structure would generate the same amount of revenue as the current fee structure generates.

Date Completed: 5-13-97 Fiscal Analyst: M. Tyszkiewicz