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BILL ANALYSIS

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Senate Bill 1525 (Substitute S-1 as reported)
Sponsor: Senator Randy Richardville
Committee: Banking and Financial Institutions

CONTENT

The bill would amend the Mortgage Loan Originator Licensing Act to specify the amount of a surety bond covering all of a person's mortgage loan originators, based on the amounts of loans the person closed or modified in the preceding year. The bill also would the person to report quarterly to the Commissioner of the Office of Financial and Insurance Regulation.

The Act requires each mortgage loan originator to provide to the Commissioner or be covered by a bond that provides coverage in specified amounts. If a mortgage loan originator is an employee or exclusive agent of a person subject to the Act and that person gives the Commissioner a satisfactory surety bond, the Commissioner may accept that bond in lieu of the mortgage loan originator's bond obligation.

The amount of coverage a surety bond must provide for a mortgage loan originator is based on the sum of the principal amounts of mortgage loans he or she closed in the preceding calendar year, as shown below. The bill would retain these provisions but refer to the amounts of mortgage loans "originated", rather than closed.

Sum of Principal Amounts Closed in Prior Year	Coverage Amount
$0 – less than $12.0 million	$10,000
$12.0 million or more but less than $24.0 million	$25,000
$24.0 million or more	$50,000

The principal amount of a surety bond providing coverage for all of a person's mortgage loan originators would have to be one of the amounts shown below, based on the sum of the principal amounts of mortgage loans closed or modified by the person in the preceding year:

Sum of Principal Amounts Closed or Modified in Prior Year	Bond Amount
Less than $12.0 million	$50,000
$12.0 million or more but less than $24.0 million	$150,000
$24.0 million or more	$250,000

MCL 493.133 & 493.159 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The Office of Financial and Insurance Regulation (OFIR) currently requires mortgage loan originators to provide surety bonds in an amount that varies with the aggregate value of the loans originated or modified by the originators. The bill would require that the overall amount of surety bonds provided to the Commissioner meet certain minimum amounts based on the aggregate value of mortgages originated or modified by the company as a whole. Since OFIR already collects these bonds, the bill would likely result in little, if any, new costs to the Department of Energy, Labor, and Economic Growth.

Date Completed: 11-10-10 Fiscal Analyst: Josh Sefton