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BILL ANALYSIS

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Senate Bill 1525 (as introduced 9-28-10)
Sponsor: Senator Randy Richardville
Committee: Banking and Financial Institutions

Date Completed: 11-9-10

CONTENT

The bill would amend the Mortgage Loan Originator Licensing Act to specify the amount of a surety bond provided by a person employing mortgage loan originators, if the principal amount of the bond were less than the aggregate amount of the individual surety bonds of its mortgage loan originators otherwise required. 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 in Table 1. The bill would retain these provisions but refer to the amounts of mortgage loans "originated", rather than closed.

Table 1

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

Under the bill, if the principal amount of a person's surety bond were less than the aggregate amount of the individual surety bonds of the person's mortgage loan originators otherwise required (as described above), the principal amount of the bond would be one of the amounts shown in Table 2, based on the sum of the principal amounts of mortgage loans closed or modified by the person in the preceding year, as determined by the Commissioner:

Table 2

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

Before the end of a calendar quarter, a person who provided a surety bond under these provisions for its employees and exclusive agents would have to give the Commission a report that contained all of the following information about the surety bond in effect for the next calendar quarter:

-- The person's name and unique identifier.
-- The name of the surety issuing the bond.
-- For each mortgage loan originator covered by the bond, his or her legal name, exactly as filed with the nationwide mortgage licensing system and registry, and unique identifier.

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.

Fiscal Analyst: Josh Sefton