FISCAL NOTE TO

[First Reprint]
ASSEMBLY, No. 2513

STATE OF NEW JERSEY

DATED: DECEMBER 20, 1996

Assembly Bill No. 2513 (1R) of 1996 repeals three laws and replaces them by providing for the licensing and regulation of the businesses of mortgage bankers and brokers, secondary mortgage lenders, consumer lenders and sales finance companies under one act.

The bill changes current law in the following ways: it provides for a simpler licensing and regulation procedure for the Department of Banking and Insurance by creating a single license for the four businesses in which lenders may be licensed; it provides a revised license fee schedule predicated upon the number of authorities sought under the license; it provides that the net worth and liquid asset requirements are not cumulative if a person seeks to be licensed in more than one business; it places in statute, but does not change, the net worth requirements for mortgage bankers, correspondent mortgage bankers, and mortgage brokers; it removes the statutory requirement that branch offices of licensees must have a licensee in that office for supervisory purposes, but authorizes the commissioner by regulation to require such supervision; it permits secondary lenders to charge an application fee at closing and, on open end loans, an annual fee; it provides that a secondary lender may change the rate of interest on a variable rate closed-end loan after the first six months of the loan instead of after the first 12 months; and it provides for an administrative penalty against consumer lenders.

The Department of Banking and Insurance estimates that implementation of the bill will not impact negatively upon the licensing revenues of the Division of Banking, and may, under certain assumptions, result in an increase in the division's licensing revenues.

According to the department, under current law, anticipated revenues from the renewal of the existing four categories of licensure will result in collections of approximately $3.0 million (see Table 1 below) over the two year licensing period, FY 1998 and FY 1999. By comparison, the department estimates that revenue collections from biennial licensing fees under a revised schedule will fall between $3.4 million and $3.6 million (see Table 2 below) over the same period, depending upon the level of fees ultimately adopted. This estimate assumes fee increases in the range of $200 to $800, per authority, over current levels (which the department notes were last increased in 1991), as well as a decrease in the total number of licenses issued. Notably, the department anticipates a decrease of as many as 700

individual mortgage banker and broker licenses due to the proposed elimination of the statutory requirement that branch offices of licensees have one supervisory licensee per office.

Table 1: CURRENT BIENNIAL FEE SCHEDULE

License	# Issued	Fee*	Est. Revenue
Mortgage banker/broker (companies & individuals)	1,800	$1,000	$1,800,000
Secondary mortgage lender (companies & individuals)	725	$1,000	$725,000
Consumer loan companies	160	$1,000	$160,000
Sales Finance companies	310	$1,000	$310,000
Total Revenue			$2,995,000

*All fees are currently below the existing statutory caps.

Table 2: PROPOSED BIENNIAL FEE SCHEDULE

License	# issued	Fee *	Est. Revenue
One Authority (companies & individuals)	1,550	$1,200	$1,860,000
Two Authorities (companies & individuals)	470	$2,200-2,400	$1,034,000 - 1,128,000
Three Authorities	21	$3,200-3,600	$67,200 - 75,600
Four Authorities	118	$4,200-4,800	$495,600 - 566,400
Total Revenue			$3,456,800 - 3,630,000

*All fees are below the proposed statutory caps.

In addition, the department notes that the bill also provides the Commissioner of Banking and Insurance with the authority to charge a one-time administrative fee, not to exceed $200 per authority, for the first license renewal. This fee would be applicable only to those licensees renewing more than one authority, of which there are approximately 609. Thus, during FY 1998, this provision is expected to generate additional revenues of approximately $609,000 to $1.2 million, depending upon the fee level established.

The department further estimates that the administrative costs of implementing the bill, which will offset projected revenues, will be $60,600, $26,100, and $27,900, respectively, in the first three years following enactment. This estimate includes salary and wages for one license processor plus minimal expenditures for materials and supplies. In addition, the first year estimate includes $35,000 for modification

of the current computer licensing system.

The Office of Legislative Services (OLS) notes that the department's revenue projections appear reasonable. However, the OLS emphasizes that actual licensing revenues may ultimately be lower or higher depending upon the level of fees adopted. As presented here, the department's estimates assume fee levels well below the proposed statutory caps.

The OLS further notes that the department's projection does not take into account a one-time offset in revenues for refunds which the bill provides to those licensees whose licenses extend to the end of December 1997. (The bill sets a July 1, 1997 expiration date for all licenses.) This provision will result in refunds (or credits) of $250 for all secondary mortgage licenses, consumer loan companies, and sales finance companies, at a total cost of approximately $311,250.

This fiscal note has been prepared pursuant to P.L.1980, c.67.