

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1688

with Senate committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 16, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1688 of 1996 with amendments.

As amended, Senate Bill No. 1688, the "New Jersey Licensed Lender Act," incorporates most of what is already in three separate laws: the "Consumer Loan Act," R.S.17:10-1 et seq., which applies to consumer lenders; the "Secondary Mortgage Loan Act," P.L.1970, c.205 (C.17:11A-34 et seq.), which applies to secondary mortgage lenders; and P.L.1981, c.18 (C.17:11B-1 et seq.), which applies to mortgage bankers and brokers.

The bill enables the Division of Banking in the Department of Banking and Insurance to license these lenders under a single act, thus simplifying and unifying the licensing, regulating and supervising process.

The bill permits a person to be licensed to engage in up to four different activities under a single license: consumer lending; secondary mortgage lending; mortgage banking or brokering; and as a sales finance company. The fees charged by the department for issuing such a license are dependent upon the number of activities in which the license indicates the person is permitted to engage.

More specifically, the bill establishes requirements for applying and renewing licenses including: maximum application and licensing fees; a one-time administrative fee for renewals; education and experience; and net worth and liquid assets. Under the bill, a person who meets the specific requirements for a license may be licensed to engage in that business; in addition, a person may be licensed to engage in more than one business as long as the person meets the requirements for each business.

The bill establishes requirements for licensees with respect to records to be kept and annual reports to be filed and requires that all licensees be examined not more than once every 18 months, but authorizes the commissioner to examine a licensee more frequently if the commissioner has reason to believe such an examination is needed.

The bill sets an expiration date for existing licenses, so that all licenses will expire on July 1, 1997, and have to be renewed to begin

the next biennial license period on July 1, 1997, and provides a refund to those licensees whose existing licenses extend beyond July 1, 1997.

This bill changes current law in the following ways: it provides for a simpler licensing and regulation procedure for the Department of Banking and Insurance in connection with the four businesses for which lenders may be licensed; it provides a changed license fee schedule to take into consideration that a person may be licensed to engage in more than one of these businesses; 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; removes the statutory requirement that branch offices of licensees have to have a licensee in that office for supervisory purposes, but authorizes the commissioner by regulation to require such supervision; permits secondary lenders to charge an application fee at closing and, on open end loans, an annual fee, the amount of which cannot exceed \$50 or one percent of the line of credit, whichever is less; 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 provides for an administrative penalty against consumer lenders who violate the new act's provisions.

If this legislation is enacted by the end of 1996, there will be sufficient time, according to the Department of Banking and Insurance, to allow the department to promulgate new regulations and begin streamlining the licensing process in time for the expiration of all existing licenses on July 1, 1997.

As amended and reported, this bill is identical to Assembly Bill No. 2513 (1R) of 1996 (Bateman/Cohen).

COMMITTEE AMENDMENTS

The committee amended the bill at the request of the sponsor to make it identical to Assembly Bill No. 2513 (1R) of 1996. The amendment clarifies the license exemption for builders who secure mortgages for their own construction or for sale of their own construction in order to retain the same exemptions they now have under current law.

FISCAL IMPACT

According to the Department of Insurance, revenue collections following the enactment of the bill will be approximately \$3.4 million to \$3.6 million for FY 1998 and FY 1999, the biennial licensing period following the bill's enactment; these revenues will be approximately \$400,000 to \$600,000 over current levels. These estimates are based on an anticipated increase in fees by the department of \$200 to \$800 following the bill's enactment. In addition, approximately \$600,000 to \$1.2 million in additional revenues will be generated during FY1998 from the one-time administrative fee provided for in the bill.