

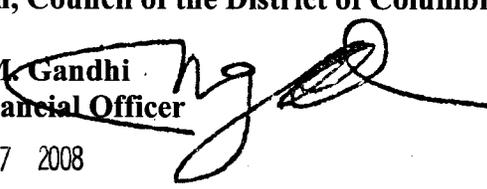
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** NOV -7 2008

**SUBJECT:** Fiscal Impact Statement: "Mortgage Lender and Broker  
Amendment Act of 2008"

**REFERENCE:** Draft Legislation to be Introduced—No Bill Number

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**Conclusion**

Revenues are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation. Appropriation authority to spend the revenues would be needed starting in FY 2010.

**Background**

The proposed legislation is intended to place the District of Columbia in compliance with Title V of the federal Housing and Economic Recovery Act of 2008 (HERA), enacted on July 30 2008,<sup>1</sup> by amending the District's Mortgage Lender and Broker Act of 1996.<sup>2</sup> Title V of HERA mandates that all states' and the District of Columbia's mortgage regulators become members of, and use, the Nationwide Mortgage Licensing System (NMLS).<sup>3</sup> The NMLS is an Internet-based system that state regulators – in the District of

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<sup>1</sup> Pub.L. 110-289, 122 Stat. 2654. Title V, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, is part of a larger bill that is intended to address the sub-prime mortgage crisis.

<sup>2</sup> Effective September 9, 1996. D.C. Law 11-155; D.C. Official Code § 26-1101 *et seq.*

<sup>3</sup> The NMLS was created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators. It is owned and operated by the State Regulatory Registry LLC, a wholly owned subsidiary of CSBS. Further information on NMLS can be found at: <http://www.stateregulatoryregistry.org/NMLS/>

Columbia, the Department of Insurance, Securities, and Banking (DISB) – must use in the licensing of the residential mortgage industry. Title V of HERA requires that all states become active participants in the NMLS by August 2009. DISB has informed the Office of the Chief Financial Officer that it would require several months of preparation upon receiving authorization from the Council (through this legislation) in order to meet this deadline.

Title V of HERA also requires all mortgage loan originators (MLOs) to be licensed. Under current District of Columbia law only mortgage *institutions* require licensure. DISB estimates that under the proposed legislation, approximately 1,500 new licenses would be issued and renewed on an annual basis, starting in October 2009 (early FY 2010).<sup>4</sup> DISB estimates that the annual MLO licensing fee would be set at \$300 per license.<sup>5</sup> Fee revenues would be deposited into the Banking Trust Fund (Fund),<sup>6</sup> a segregated account used by DISB in the discharge of its administrative and regulatory duties, subject to the applicable laws relating to the appropriation of District funds. Any monies received by the Fund but not expended in a given fiscal year are returned to the General Fund.

### **Financial Plan Impact**

Revenues are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation. Appropriation authority to spend the revenues would be needed starting in FY 2010.

Assuming a stable base of 1,500 MLOs over the financial plan period, it is estimated that implementation of the proposed legislation would generate approximately \$450,000 per year in MLO licensure revenues, commencing in FY 2010, to be deposited into the Banking Regulation Trust Fund. DISB could absorb the cost of implementing the provisions of the proposed legislation with these resources, in part due to the fact that membership and participation in the NMLS is cost-free.

<b>Estimated MLO Licensure Revenues – Banking Regulation Trust Fund</b>				
<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>4-Year Total</b>
<b>\$0*</b>	<b>\$450,000</b>	<b>\$450,000</b>	<b>\$450,000</b>	<b>\$1,350,000</b>

\*See footnote # 4 for explanation of "lag."

<sup>4</sup> This "lag" is due to the licensing cycle used by NMLS. The first licensing period will run from January 1, 2010 to December 31, 2010. According to DISB, the revenue stream associated with MLO licensure will likely commence in October 2009 (the first month of FY 2010) as fees are collected approximately 60 days before the licensing period begins.

<sup>5</sup> The fee schedule will be promulgated by rulemaking by the DISB Commissioner and is subject to change.

<sup>6</sup> D.C. Official Code § 31-107(b-1)