

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 87

(Chair, Finance Committee)(By Request - Departmental -
 Labor, Licensing and Regulation)

Finance

Economic Matters

**Mortgage Loan Originators - State Criminal History Records Check
 Requirement - Repeal**

This departmental bill repeals the requirement of a State criminal history records check for persons applying for a mortgage loan originator license. A national criminal history records check is still required.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: Special fund revenues for the Department of Public Safety and Correctional Services (DPSCS) decrease by approximately \$54,000 annually beginning in FY 2017 as a result of the bill’s elimination of State criminal history records checks for mortgage loan originator license applicants. Special fund expenditures are not affected; however, a reduction in the number of criminal history records checks may result in administrative efficiencies.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$54,000)	(\$54,000)	(\$54,000)	(\$54,000)	(\$54,000)
Expenditure	0	0	0	0	0
Net Effect	(\$54,000)	(\$54,000)	(\$54,000)	(\$54,000)	(\$54,000)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: Mortgage loan originators are required to undergo national and State criminal history records checks as part of the licensing process. Within Maryland, applicants can submit fingerprints electronically at approved sites. Applicants outside of Maryland submit fingerprints by mail to the Criminal Justice Information System Central Repository of DPSCS.

The cost of the State criminal history records check is \$18 per applicant. Veterans, active-duty service members, military spouses, and registered loan originators (*i.e.*, new applicants who were employed as a loan originator within 45 days before the date of application for the license) are exempted from the State criminal history records check requirement under current law.

The cost of the national criminal history records check is \$36.25 per applicant if performed electronically or \$46.25 if manually processed. These checks are done through the Nationwide Mortgage Licensing System and Registry (NMLS).

Background: DLLR advises the State criminal history records check requirement is time-consuming and does not provide a significant benefit. The State criminal history records check can be particularly burdensome for out-of-state applicants, who must submit fingerprints by hard copy through the mail. (According to DLLR, out-of-state licensees comprise more than 70% of all mortgage loan originators licensed in Maryland.) In contrast, the national criminal history records check is generally performed electronically through NMLS, and results are typically released within 48 hours of submission.

DLLR advises that State criminal history records checks do not appear to provide additional value, when compared to the national criminal history records checks. A comparison of national and State criminal history records check results for 339 recent applicants found 330 were identical. For each of the nine remaining cases, the national criminal history records check contained additional information not included in the State one.

The department also notes that a majority of states, including Pennsylvania, Virginia, North Carolina, and Massachusetts, do not require separate state criminal history records checks; these states instead rely solely on national criminal history records checks.

State Fiscal Effect: DLLR estimates there were approximately 2,500 new mortgage loan originator license applicants in fiscal 2015, with each applicant paying \$18 for the State criminal history records check. DPSCS advises that the five-year average volume was slightly higher, with more than 3,000 such applicants, on average, undergoing a State criminal history records check between fiscal 2011 and 2015. Assuming the number of

applicants remains fairly constant in future years, special fund revenues for DPSCS decrease by approximately \$54,000 annually beginning in fiscal 2017. The elimination of the State criminal history records check requirement is not expected to have a material impact on DPSCS special fund expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Nationwide Mortgage Licensing System and Registry; Department of Public Safety and Correctional Services; Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - January 13, 2016
kb/kdm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: **Mortgage Loan Originators – Elimination of State Criminal Background Check**

BILL NUMBER: SB 87

PREPARED BY:

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

We do not believe there will be any impact on small businesses as a result of this legislation. Small business applicants may save money under this proposal.