



**House
Legislative
Analysis
Section**

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REDUCE MORTGAGE BROKER DEPOSIT AMOUNT

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JUL 06 1988

House Bill 5737

Sponsor: Rep. Roland G. Niederstadt

Committee: Corporations and Finance

Mich. State Law Library

Complete to 6-6-88

A SUMMARY OF HOUSE BILL 5737 AS INTRODUCED 6-2-88

The Mortgage Brokers, Lenders, and Servicers Licensing Act regulates those who broker, make or service first mortgage loans or land contracts on Michigan property designed for occupancy by four or fewer families. For someone who acts as a mortgage broker or lender, the act requires proof of financial responsibility (which can be a letter of credit or surety bond, or similar types of obligations as specified in the act) in the amount of \$25,000 (all other types of mortgage servicers must submit a \$100,000 deposit). The bill would reduce the required deposit amount for a person applying to be licensed as a mortgage broker or lender to \$15,000. In place of a surety bond or letter of credit the act allows a license applicant to submit, among other things, a true copy of the corporate surety bond the applicant is required to maintain in order to service mortgage loans on behalf of the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA). The bill would delete this as an option for showing proof of financial responsibility.

In addition, the bill specifies that a mortgage broker would be exempt from the provision regarding the submission of proof of financial responsibility if he or she had deposited all funds received from a prospective borrower into an escrow account and did not possess or control the funds associated with the loan application prior to the closing or denial of the mortgage loan. The bill would not prohibit the disbursement of funds by the escrow agent to third parties for the actual cost of a property appraisal and credit report in connection with a mortgage loan application. An escrow account that was created as specified in the bill would have to be established in a manner approved by the commissioner and deposited only in a federally insured depository financial institution (a bank, savings and loan, or credit union).

MCL 445.1654

House Bill 5737 (6-6-88)