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BILL ANALYSIS

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**House Bill 4714 (as reported without amendment)****Sponsor: Representative John Bennett****House Committee: Corporations and Finance****Senate Committee: Finance****Date Completed: 11-22-88****RATIONALE**

Public Act 125 of 1981, the secondary mortgage loan Act, allows certain financial service firms to compete in the secondary mortgage loans market and provides for the regulation and licensing of those who wish to service these types of loans. A "secondary mortgage loan" is defined in the Act as a loan of \$3,000 or more to an individual, corporation, or partnership for personal, family, or household purposes that is not to be repaid in 90 days or less, and that is secured by a mortgage upon an interest in real property used as a dwelling if the property is subject to the lien of one or more prior mortgages. The Act authorizes the Financial Institutions Bureau (FIB) to act as the State regulator of those licensed under the Act. The FIB is required to examine the books of licensees and investigate applicants for licensure. Currently, under the Act, the FIB receives \$150 for investigating an applicant for a license to make secondary mortgage loans, \$300 for an annual license fee, and between \$15 and \$30 an hour for an annual examination fee for an examination of a licensee's records. Since the Act does not specify where the funds are to be placed, they are deposited in the General Fund. It has been suggested that, to help the FIB with the costs of enforcement, the fees should be placed in a special fund and used only for the Bureau's operation.

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**CONTENT**

The bill would amend the secondary mortgage loan Act to create a Financial Institutions Bureau (FIB) Operations Fund, and require that money the FIB receives for certain examination and investigation fees charged to licensees who make secondary mortgage loans be credited to the Fund. Money in the Fund could be used only for the operations of the FIB.

MCL 493.64

**FISCAL IMPACT**

The bill would lead to a reduction of General Fund/General Purpose revenues of approximately \$50,000 per year and a corresponding increase in restricted funds.

**ARGUMENTS****Supporting Argument**

The bill would create a special FIB fund and would give the FIB the ability to keep fees to defray the costs of enforcement required under the Act. These fees currently are directed into the General Fund and are not necessarily used to operate the FIB. The bill specifies that the fees could be used only to fund the operations of the Bureau.

H.B. 4714 (11-22-88)