

January 25, 2017

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 18 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 18 is respectfully submitted to your committee.

SB 18 would make changes to the Kansas Mortgage Business Act (KMBA). The bill clarifies that no other license is required other than a KMBA license to conduct mortgage business in Kansas. The Bank Commissioner would have the discretion to determine the completeness of a mortgage company or mortgage loan originator application. If the applicant fails to complete the application within 60 days of written notice by the Bank Commissioner that the application is incomplete, then the application would be abandoned and the application fee would not be refunded. If the application is abandoned, the applicant has the option to reapply with complete information or appeal that determination under the Kansas Administrative Procedure Act.

Under current law, each applicant and licensee under the KMBA are required to maintain a minimum net worth of \$50,000. The bill allows applicants or licensees to use an alternative accounting method other than the generally accepted accounting principles (GAAP) to prepare their balance sheet or consolidated financial statement, if the alternative accounting system meets or exceeds GAAP. The bill indicates that the information contained in the annual reports submitted by each KMBA licensee will remain confidential; however, composite information would be allowed to be published until this provision sunsets on July 1, 2022.

The Office of the State Bank Commissioner indicates that the costs associated with implementing SB 18 would be negligible and could be absorbed within its existing budget. The Office indicates that the bill has the potential to increase revenues to the Bank Commissioner Fee Fund from additional application fees from applicants whose original application has been

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abandoned. There were 150 renewal applications that would have met the criteria for an abandoned application in 2016. If all abandoned applications are resubmitted with the \$100 application fee, then the bill would generate an additional \$15,000 in application fee revenue for the Bank Commissioner Fee Fund in FY 2018. However, the Office estimates that there would be significantly fewer applications that would be classified as abandoned under the requirements of the bill, which would significantly reduce the amount of estimated revenue. Any fiscal effect associated with SB 18 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Judi Stork, Banking