

SESSION OF 2017

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 18**

As Recommended by Senate Committee on  
Financial Institutions and Insurance

**Brief\***

SB 18 would amend provisions of the Kansas Mortgage Business Act (KMBA). The bill would clarify no other license, other than a KMBA license, would be required to conduct mortgage business in Kansas.

The bill would require the State Bank Commissioner (Commissioner) to deem an application for mortgage company or loan origination licensure or registration to be abandoned if the applicant fails to complete the application within 60 days after the Commissioner provides notice to the applicant of an incomplete application. If the Commissioner deems the application to be abandoned, the applicant would be permitted to reapply for licensure or registration and pay a nonrefundable fee of not less than \$50, or the applicant may make a written request for a hearing pursuant to the Kansas Administrative Procedure Act.

Additionally, the bill would permit applicants and licensees to use an alternative accounting system, other than the generally accepted accounting principles (GAAP), to provide evidence of a minimum net worth of \$50,000. The applicant or licensee would be required to demonstrate the alternative accounting system meets or exceeds GAAP.

Finally, the bill would require information contained in the annual reports submitted by each KMBA licensee to remain confidential: however, publication of composite information would be permitted. This provision would sunset on July 1, 2022.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

## **Background**

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Office of the State Bank Commissioner (OSBC). At the Senate Committee hearing, a representative of the OSBC testified in favor of the bill, stating the bill would provide clarity to the KMBA and improve the OSBC's ability to regulate companies engaged in mortgage business in Kansas. No opponent or neutral testimony was provided.

According to the fiscal note prepared by the Division of the Budget, the OSBC indicates the costs associated with implementing the bill would be negligible and could be absorbed within OSBC's existing budget. The OSBC indicates the bill has the potential to increase revenues to the Bank Commissioner Fee Fund (Fund) from additional application fees from applicants whose original application has been abandoned. There were 150 renewal applications that would have met the criteria for an abandoned application in 2016. If all abandoned applications are re-submitted with the \$100 application fee, then the bill would generate an additional \$15,000 in application fee revenue for the Fund in FY 2018. However, the OSBC estimates 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 enactment of the bill is not reflected in *The FY 2018 Governor's Budget Report*.