

SUBJECT: Exempting Farm Credit institutions from the Mortgage Broker Licensing Act

COMMITTEE: Financial Institutions — favorable, without amendment

VOTE: 7 ayes — Averitt, Solomons, Denny, Grusendorf, Hopson, Marchant,
Menendez

0 nays

2 absent — Pitts, Wise

WITNESSES: For — Stan Ray, Farm Credit Bank of Texas

Against — None

On — Jim Pledger, Texas Savings and Loan Department

BACKGROUND: The 76th Legislature enacted SB 1074 by Carona, the Mortgage Broker Licensing Act (MBLA), which requires mortgage brokers and loan officers to be licensed by the Savings and Loan Department. The MBLA exempts from licensing certain categories of entities and their employees if the entity is regulated by a federal financial regulator such as the Federal Deposit Insurance Corporation or by a state regulator such as the Department of Insurance. Loan officers at farm banks must be licensed under the MBLA because many of the loans they make are secured by farm or ranch land on which a home is located.

DIGEST: HB 1067 would amend the Finance Code to exempt member institutions of the Farm Credit System from MBLA licensing requirements.

The savings and loan commissioner would have to reimburse licensing and other MBLA fees paid by those whom the bill would exempt. Reimbursements would be prorated to cover the portion of the fees attributable to the period from the bill's effective date to the expiration of the employee's license.

The bill would take effect September 1, 2001, and reimbursements would be due by October 1, 2001.

SUPPORTERS SAY: HB 1067 would eliminate duplicative regulation of farm banks by exempting them from MBLA licensing requirements. As federally chartered institutions, farm credit banks are regulated by the federal Farm Credit Administration. Other federally regulated entities are exempt from MBLA licensing requirements. The bill would rectify an oversight in last session's legislation, which inadvertently omitted Farm Credit System institutions from the list of exempted entities. It also would refund on a prorated basis any license fees paid by Farm Credit System institutions for the period remaining on their licenses after the effective date of the bill.

OPPONENTS SAY: No apparent opposition.

NOTES: The companion bill, SB 585 by Carona, passed the Senate on the Local and Uncontested Calendar on March 8. The House Financial Institutions Committee reported SB 585 favorably, without amendment, on March 19, making it eligible to be considered in lieu of HB 1067.