Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 362** DATE: **January 14, 2008**

STATUS: **As Introduced** SPONSOR: **Rep. Hite**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Authorizes additional charges under the Consumer Finance Law and prohibits an automated valuation model provider from reporting a predetermined property valuation**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund			
Revenues	Potential negligible gain	Potential negligible gain	Potential negligible gain
Expenditures	- 0 -	- 0 -	- 0 -
Victims of Crime/Reparations Fund (Fund 402) – Attorney General			
Revenues	Potential negligible gain	Potential negligible gain	Potential negligible gain
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- ***Potential state court cost revenue*.** The possibility of additional criminal cases creates the prospect that the state may gain a negligible amount of state court cost revenue to the GRF and the Victims of Crime/Reparations Fund (Fund 402).

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties and Municipalities			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	Potential minimal increase	Potential minimal increase	Potential minimal increase

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- ***Local criminal justice costs*.** As a result of a new penalty provision, some persons who may not have been successfully prosecuted and convicted under existing law could be prosecuted and sanctioned. This could increase local criminal justice expenditures related to investigating, prosecuting, adjudicating, and sanctioning offenders. Accordingly, there may be a minimal gain in local fine and court cost revenue, offsetting some or all of any new costs.

Detailed Fiscal Analysis

Overview

The Second Mortgage Loan Law governs the business of making loans secured by a mortgage on a borrower's real estate that is other than a first lien on the real estate. Current law authorizes second mortgage lenders to charge various fees, such as those for deferment of payments, points, prepayment of the loan, filing or recording of the loan, loan origination, check collection if a check is returned or dishonored, and default if loan payments are not made after a payment is due. Currently, there are approximately 1,700 second mortgage lender locations registered with the Department of Commerce's Division of Financial Institutions (DFI). Second mortgage lenders generally pay fees totaling $500 for an initial registration and $300 for annual renewal of that registration.

New fees to be charged by second mortgage lenders

The bill allows several new fees to be charged by second mortgage lenders, such as a maximum fee of $10 Automated Clearing House (ACH) fee when a borrower makes a payment using ACH and a maximum $25 fee when a borrower with an annual line of credit exceeds the borrower's credit limit during a billing cycle. The bill also limits fees for the provision of automated property valuations, which derive property values based on publicly available property records and various analytical methods such as comparable sales prices, home characteristics and historical home price appreciations, to no more than $75. The authorization of these new fees would not have a direct fiscal effect on the state.

Fiscal effects – new penalty provision

The bill prohibits automated valuation model providers from accepting a property valuation assignment from a second mortgage lender when the valuation is contingent on the model provider reporting a pre-determined valuation. The bill adds a first-degree misdemeanor (M1) penalty for violations of this prohibition. An M1 carries a maximum jail term of 180 days and a maximum fine of $1,000. As a result of the new requirements, some persons who may not have been successfully prosecuted and convicted under existing law could be prosecuted and sanctioned. This could in turn minimally increase local criminal justice expenditures related to investigating, prosecuting, adjudicating, and sanctioning offenders.

Additional criminal cases could also mean an increase in local fine and court cost revenue, offsetting some or all of any additional criminal justice costs. If additional criminal cases are created, there is also the possibility that the state may gain a negligible amount of state court cost revenue to the GRF and the Victims of Crime/Reparations Fund (Fund 402). For misdemeanors, the GRF receives $15 per case while the Victims of Crime/Reparations Fund receives $9 per case.

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