Individual State Agency Fiscal Note

Bill Number: 1104 HB	Title: Mortgage lending fraud acct	Agency: 102-Department of Financial Institutions

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Mortgage Lending Fraud Prosecution Account-Non-Appropriated 07A-6	520,074	519,567	1,039,641	1,008,930	
Total $	520,074	519,567	1,039,641	1,008,930	

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
Mortgage Lending Fraud Prosecution Account-Non-Appropriated 07A-6	421,296	421,296	842,592	842,592	0
Total $	421,296	421,296	842,592	842,592	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The proposed legislation changes the expiration date of the Mortgage Lending Fraud Prosecution Account (MLFPA) to June 30, 2027. The current expiration date of the account is June 30, 2021. The legislature established the MLFPA in 2003 (RCW 43.320.140) in order to fund criminal prosecution of fraudulent activities related to mortgage lending. The original legislation had an expiration date of June 30, 2006, which was amended in 2006, 2011, and again in 2016. The Department of Financial Institutions (DFI) has administered the MLFPA since its creation in 2003.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

The MLFPA is funded by a $1 surcharge collected by the county auditor at the time of recording each deed of trust. The proposed legislation permits the continued funding of the MLFPA by changing the expiration date of this $1 surcharge to June 30, 2027. The County Auditor is permitted to retain up to 5% of the funds collected to administer the process of collecting the surcharge; therefore the MLFPA receives at least 95% of the total collected surcharges. The estimated cash receipts reflect the Department's portion of the gross surcharge collections as projected quarterly by the Office of Financial Management. Variances from quarter to quarter are covered by existing fund balance.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

DFI administers the Mortgage Lending Fraud Prosecution Account (MLFPA) and authorizes expenditures from this fund in the form of contracts with prosecutors' offices to fund their costs of prosecution. DFI does not expend MLFPA funds for its own regulatory activities. Expenditure estimates are based on the volume and complexity of cases related to mortgage fraud that are moving through the prosecution process.

Since its reauthorization in 2011, Prosecutor's Offices and the Unites States Attorney's Office have continued to use the MLFPA to prosecute individuals engaged in fraudulent activities that have harmed consumers and homeowners across Washington. In addition to referrals directly from DFI, the prosecutors take referrals from state and federal law enforcement. From 2016 to present, DFI has referred eleven cases for either Federal or State criminal prosecution. Due to the complexity and specialization of mortgage fraud cases, most of these would unlikely have seen prosecution. The MLFPA provides critical funding to support the costs of pursuing these cases.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
07A-6	Mortgage Lending Fraud Prosecution Account	Non-Appropriated	421,296	421,296	842,592	842,592	0
		Total $	421,296	421,296	842,592	842,592	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	421,296	421,296	842,592	842,592	
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	421,296	421,296	842,592	842,592	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required