

Multiple Agency Fiscal Note Summary

Bill Number: 5968 SB	Title: Home equity sharing
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Financial Institutions	0	0	44,407	0	0	79,300	0	0	67,570
Total \$	0	0	44,407	0	0	79,300	0	0	67,570

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Financial Institutions	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Financial Institutions	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/25/2024
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Individual State Agency Fiscal Note

Bill Number: 5968 SB	Title: Home equity sharing	Agency: 102-Department of Financial Institutions
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Financial Services Regulation Account-State 300-1		44,407	44,407	79,300	67,570
Total \$		44,407	44,407	79,300	67,570

Estimated Operating Expenditures from:

NONE

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.

Legislative Contact: Clinton McCarthy	Phone: 360-786-7319	Date: 01/24/2024
Agency Preparation: Cale Zimmerman	Phone: (360) 902-0507	Date: 01/25/2024
Agency Approval: Emily Fitzgerald	Phone: (360) 902-8780	Date: 01/25/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/25/2024

Part II: Narrative Explanation

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

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

This bill revises Chapter 31.04 RCW, the Consumer Loan Act (CLA). Section 1 adds a definition of “home equity sharing agreement,” and further clarifies that a home equity sharing agreement is also considered a residential mortgage loan. Section 3 sets forth terms that are prohibited in home equity sharing agreements. Section 3 also limits the amounts that can be collected from a borrower in a home equity sharing agreement.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The Department of Financial Institutions (DFI) estimates that approximately 10 companies providing home equity sharing agreements will need to become licensed under the Consumer Loan Act (CLA) under the proposed amendments.

DFI expects to collect about \$10,622.10 (\$1,062.21 x 10) in initial licensing fees during FY25 from the estimated 10 companies.

Licensees under the CLA pay an assessment fee based on their volume of business in the previous year. DFI estimates the following revenue under the assumption that applicants will pay an assessment of \$3,378.47 each year (average assessment for existing consumer lenders in CY 2022). The first annual assessment fees will be due in early CY 2025 for business conducted in CY 2024. DFI expects to collect \$33,784.70 (\$3,378.47 x 10) during FY25 and ongoing.

In addition, each licensee under the CLA is subject to examination. Exam costs will be billed at \$69 per hour and each initial exam will likely require 17 hours. New licensees are examined within the first 12-24 months of licensure. DFI expects to examine 5 licensees in FY26, resulting in \$5,865 (\$69 x 17 x 5) and 5 licensees in FY27, resulting in \$5,865 in FY27 (\$69 x 17 x 5). After the initial exam, DFI conducts routine exams on a risk based cycle.

For purposes of this fiscal note, investigative fees are not included as they are indeterminate due to an inability to estimate the level of enforcement activity on equity sharing agreements.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Under this legislation, DFI would collect financial, criminal background information, and other identifying information for review of suitability for licensure. DFI would have authority to examine and investigate each licensee, as well as receive, investigate, and resolve complaints. DFI anticipates this work will be performed using existing resources.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals 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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 3 - The proposed legislation grants DFI the authority to adopt rules as necessary to implement the provisions of the act. Rulemaking costs will be absorbed.

Individual State Agency Fiscal Note

Bill Number: 5968 SB	Title: Home equity sharing	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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.

Legislative Contact: Clinton McCarthy	Phone: 360-786-7319	Date: 01/24/2024
Agency Preparation: Hayley Tresenriter	Phone: 360-725-3042	Date: 01/25/2024
Agency Approval: Hayley Tresenriter	Phone: 360-725-3042	Date: 01/25/2024
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/25/2024

Part II: Narrative Explanation

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

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

Section 1: Amends RCW 31.04.015 to include a definition for "Residential mortgage loan" and "Home equity sharing agreement".

Section 2: Amends RCW 31.04.102 to include federal law updates.

Section 3: A new section adds to RCW 31.04 guidelines for home equity agreements, which expands the activities regulated by the Consumer Loan Act (RCW 31.04) to include the advancement of a sum of money or thing of value to a borrower in exchange for an interest or future share of equity in the borrower's residential real estate including a future obligation to pay a sum upon the occurrence of an agreed-upon event.

The Department of Commerce assumes no fiscal impact.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

This bill does not impact the Department of Commerce.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *FTEs listed by classification and corresponding annual compensation. Totals 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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.