



# MBA's 93<sup>rd</sup> ANNUAL CONVENTION & EXPO 2006

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## State and National Licensing

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## State Oversight of the Mortgage Industry

- Decline of S&L's as the primary source of home financing
- State mortgage regulators have increasingly important role
  - » The number of states with mortgage licensing requirements has grown from 18 in 1993 to 49 in 2006 (all but AK)
  - » 70% or more of all mortgage loans originated by brokers or state licensed lenders





## CSBS/AARMR Mortgage Regulator Survey

- 50 States Surveyed-
    - » 90,000 companies state licensed
    - » 65,000 branches state licensed
    - » 280,000 individuals state licensed
  - Application processing: 44 manually process applications
  - Fingerprinting: 18 FBI; 30 State criminal record checks
  - Credit reports: 25 states / Credit scores: 7 states
  - Testing/CE: 14/23 agencies
  - Experience required: 21 agencies
  - Minimum financial requirements: 31 agencies
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## Primary Goals of System

- Provide uniform mortgage application for every state agency
- Develop comprehensive licensing/supervisory repository shared by every state agency





## Four Uniform Mortgage Applications

- Company (mortgage lenders and brokers)
- Control person
- Branch locations
- Individuals (loan officers)





## Residential Mortgage Licensing System Functions

System will electronically:

- Collect complete applications and transmit to as many state agencies as applicant wishes
- Collect any required financial statements and send to as many state agencies as required
- Collect and transfer fees to all relevant agencies
- Assign unique ID number to each licensee and store licensee information in a centralized database
- Provide state agencies a workflow management tool in evaluating license applications





## Residential Mortgage Licensing System - Costs

- Development costs: \$4.3 million
  - » Contracted with National Association of Securities Dealers (NASD) to build the system
  - » States are paying the development costs
- Operating Costs: estimated at \$6.5 - \$7.5 million annually
  - » Fully loaded estimate with all states participating
  - » Operating costs to be funded by processing fees
  - » Each state determines whether agency or industry will cover the cost





## Benefits for Regulators

- Improved timeliness:
  - » Online application
  - » Centralized processing
  - » Applications are complete when received
  - » Communications
  - » Approvals
- Improved access to comprehensive repository
  - » License information
  - » Criminal and administrative sanctions
- Ability to track companies and individuals across states and over time





## Mortgage Applications/Updates/Amendments

Through a secure website, licensees and prospective licensees can:

- Complete one application for one or more agencies
- Pay fees for each jurisdiction
- Query and create reports on your licensing data
  - » Outstanding applications/amendments
  - » Fee history
  - » Branches/loan officers by jurisdiction





## Status of the Residential Mortgage Licensing System

- Uniform Forms completed and will be used in paper format in a large number of states during 2007
- Online database to go live January 1, 2008
- Residential Mortgage Regulator Taskforce meeting monthly to develop system and discuss policy
- Industry Development Working Group initiated to provide mortgage industry mechanism for providing input
- Advisory Council being formed with the Mortgage Bankers Association and the American Financial Services Association to discuss legislative principles





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