

# CSBS/AARMR Nationwide Mortgage Licensing System

MBA Legal Issues and Regulatory Compliance Conference  
May 2007





## **Conference of State Bank Supervisors**

- Established in 1902
- Professional organization
- Advocate of dual banking system
- Represents state banking regulators
  - 6,000 state-chartered banks (75% of all charters)
  - 33% of all bank assets
  - 37 state mortgage regulators



# **American Association of Residential Mortgage Regulators**

- Professional organization
- Advocate of regulatory information exchange
- Represents state mortgage regulators



## 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)
  - 50 - 70% or more of all mortgage loans originated by brokers or state licensed lender
  - 70% of bank mortgages come from third-party originators
- Growth of privatization of secondary market
- Growth of subprime mortgage lending
- Growth of nontraditional mortgage products
- Increased need for consumer protection



## States Trends

- Increasing Licensing Standards
- Increasing Enforcement
- Coordination



## Increasing licensing standards

- 52 state agencies license/register mortgage companies
- Oversight of individuals:
  - 52 state agencies license/register owners/executives
  - 34 state agencies license/register loan originators
- State agencies with requirements on individuals:
  - Testing: 16
  - Minimum experience: 33
  - Pre-licensure/Continuing Education: 31
  - Minimum credit standards: 36
  - Criminal history backgrounds: 33

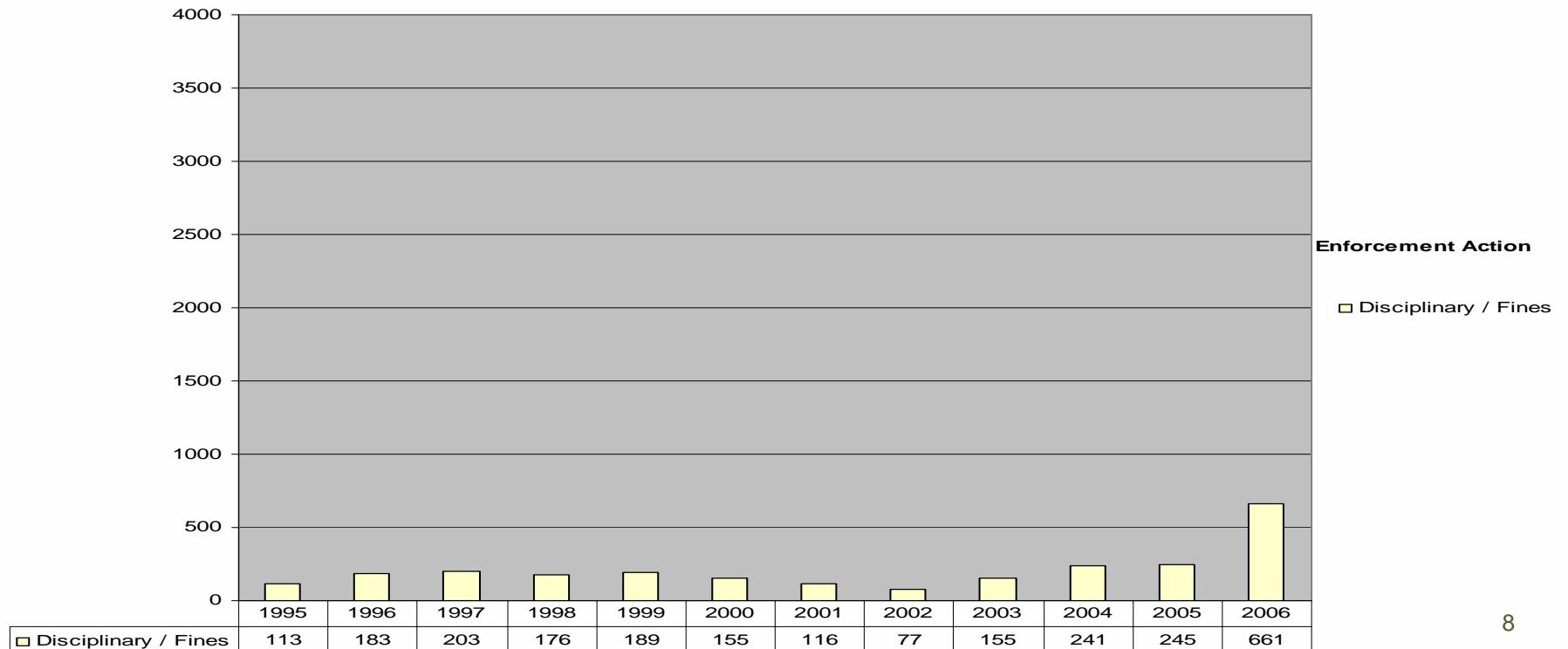


## State Mortgage Broker Standards - 2007 Survey

- 48 states license or register mortgage broker *companies*.
- 90,493 licensed mortgage broker companies
- 19 states require minimum net worth
- 43 states require surety bond
- 15 state require in-state office; 42 require each office to be licensed or registered
- 332,000 licensed/registered loan originators

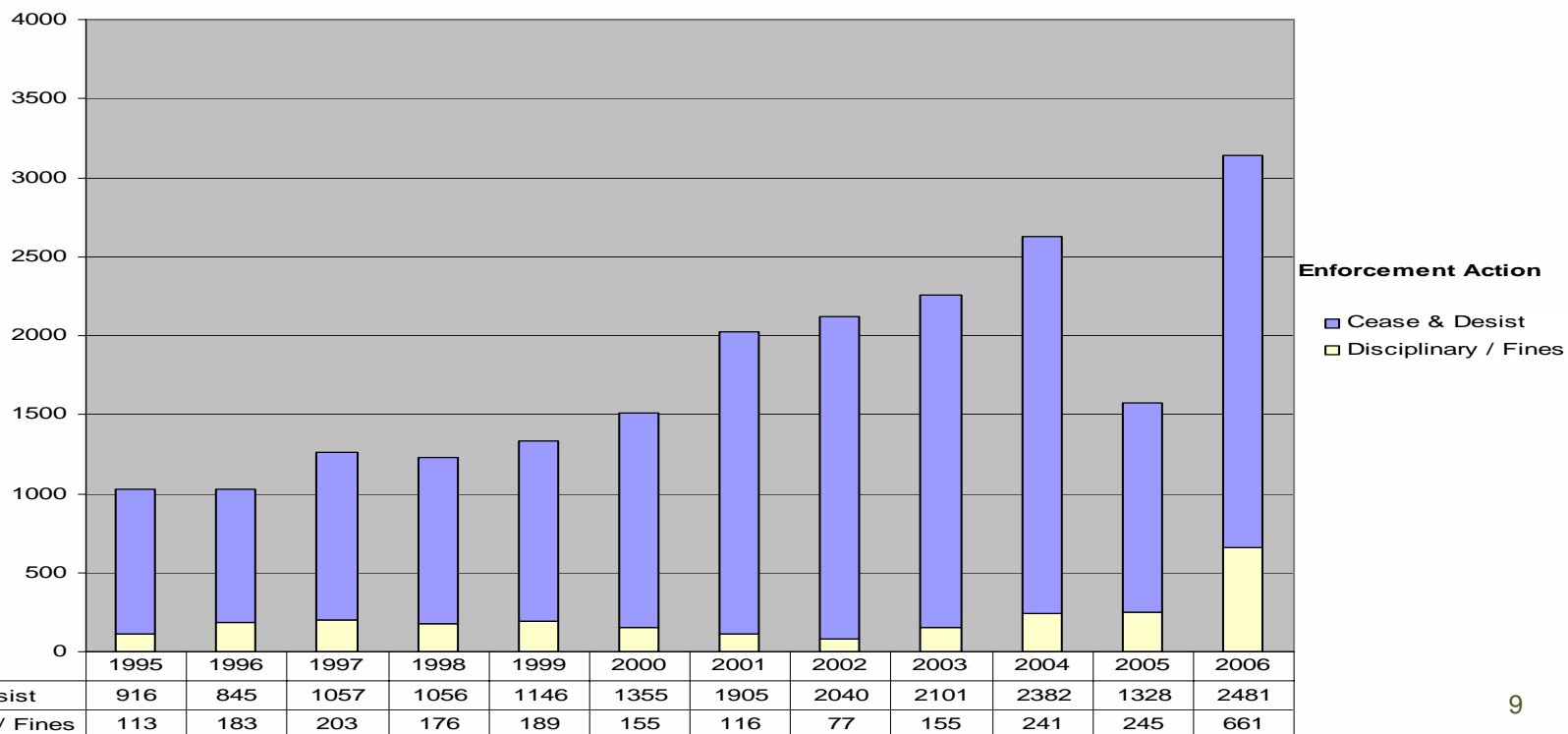


# Enforcement Actions



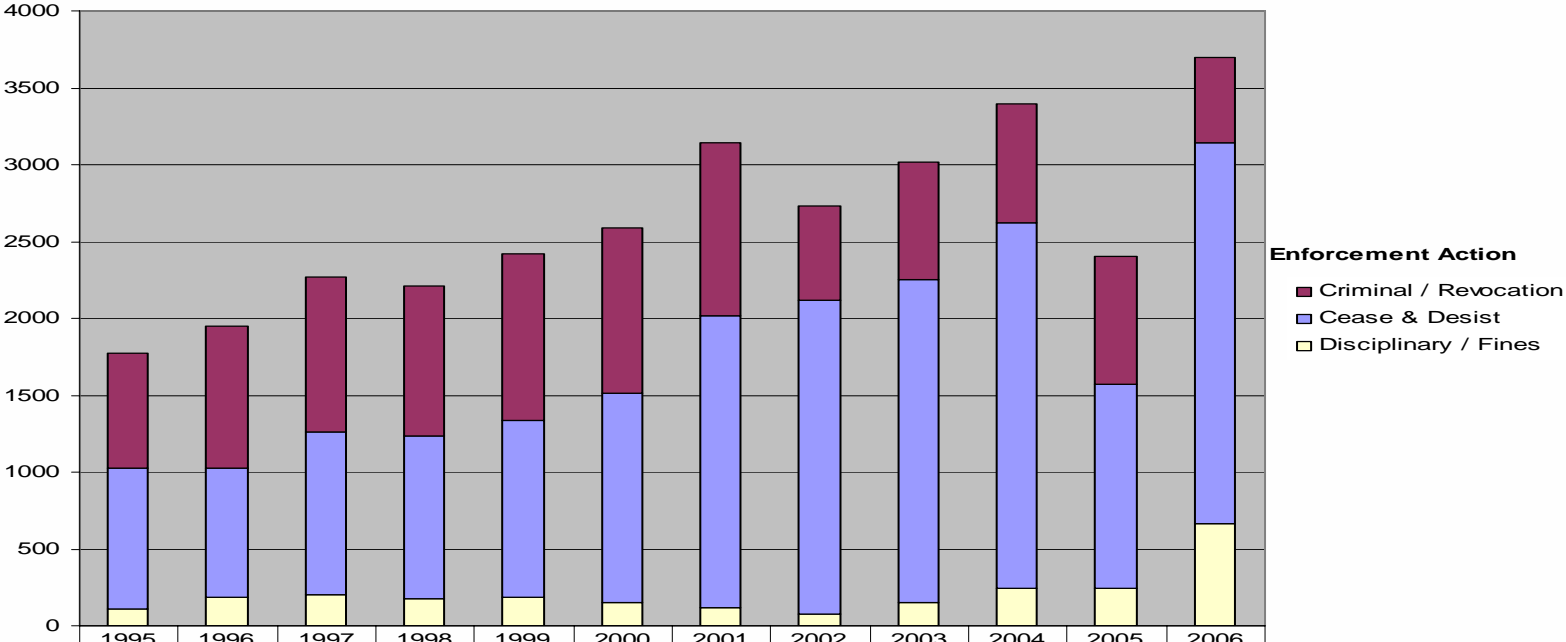


# Enforcement Actions





# Enforcement Actions



|                         |     |     |      |      |      |      |      |      |      |      |      |      |
|-------------------------|-----|-----|------|------|------|------|------|------|------|------|------|------|
| ■ Criminal / Revocation | 746 | 921 | 1012 | 974  | 1082 | 1078 | 1118 | 613  | 759  | 775  | 827  | 552  |
| ■ Cease & Desist        | 916 | 845 | 1057 | 1056 | 1146 | 1355 | 1905 | 2040 | 2101 | 2382 | 1328 | 2481 |
| ■ Disciplinary / Fines  | 113 | 183 | 203  | 176  | 189  | 155  | 116  | 77   | 155  | 241  | 245  | 661  |



## **State Mortgage Broker Standards – 2007 Survey**

### State authorities:

- Revoke license
- Subpoena authority
- Order consumer restitution
- Fine
- UDAP

### In 2006:

- 6,600 investigations or examinations
- 3,600 informal & formal enforcement actions



## **CSBS/AARMR Nontraditional Guidance**

- Issued shortly after federal guidance
- 33 states to date have adopted
- Subprime letter



# **CSBS/AARMR Residential Mortgage Licensing System**

Primary Goals:

- 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)



## One System will:

- 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



## 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



## Benefits for Licensees

Through a secure website, licensees and prospective licensees can:

- Complete one application or amendment for one or more agencies
- Have 24/7 access to all licensing information
- Pay fees for each jurisdiction
- Query and create reports on your licensing data
  - Outstanding applications/amendments
  - Fee history
  - Branches/loan officers by jurisdiction
- Check license status of business partners



## Status of the System

- 31 states plan to come on the System by the end of 2009
  - States will transition onto system on a quarterly basis
- Uniform Forms (“MU Forms”) currently used by 10 states
- Online database to go live January 1, 2008
  - Begin accepting applications/populating database
  - Functionality built over 2-year period
- 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



## **Mortgage Industry National Uniform Testing and Education Standards (MINUTES)**

- Create inter-jurisdictional standards and acceptance of testing and education requirements
- Survey of state requirements
- Working group of stakeholders
- Development of standards
- Incorporation into Nationwide Mortgage Licensing System



# Conference of State Bank Supervisors



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