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Pennsylvania and Beyond

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Commonwealth of Pennsylvania, Edward G. Rendell, Governor

Proposed Regulation

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- Ability to repay at fully indexed rate
  - All loans, including prime
  - See also Ohio and Minnesota
- Verification of income required
- May not primarily rely on value of collateral for lending decision
- No willful blindness
- One page disclosure

Statement of Policy

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- First mortgage act
- Defines practices or conduct that are:
  - Dishonest
  - Unfair
  - Fraudulent
  - Unethical
  - Illegal
  - Negligent
  - Incompetent
- Addresses
  - “sand bagging” with fees at closing
  - Pressuring appraisers
  - Broker/lender complicity in fraud for housing
  - GLB privacy plans
  - Steering consumers into loans to earn higher fees

Non-Traditional Guidance

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- Issued on April 13, 2007
- Mirrors CSBS/AARMR Joint Guidance

Legislative Package

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- Loan officer licensing
- Pre-licensure testing for businesses and loan officers
- Diversify members on the state Appraiser Board

Enforcement

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- Computer forensics program
  - Under way
  - ***Lots*** of information
    - Emails
    - Commission spreadsheets
    - Appraisals
- Fraud cases with non-traditional products

Interstate Cooperation

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- Conference calls with mortgage lenders of concern
  - Lenders in financial trouble, early payment defaults
- Lots of states
- Standard requests
  - Pipeline reports
  - Financials
- #1 goal is to protect consumers in pipeline, especially closed but not funded loans
- Don't "freak out"
  - Calls can help stop rumors, quell regulators' concerns
  - Efficient for lender as well as regulators

Interstate Cooperation

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- Tips for navigating multi-state calls
  - Candor is key
  - No surprises
    - Communicate early, frequently and promptly
    - Give us the bad news
  - Tell us what you are doing to protect consumers
  - Home-state is key: examiners on-site
- Variety of enforcement actions are possible
  - Orders requiring funding or placement of pipeline loans
  - Orders suspending or eliminating authority to do business
  - Some take effect immediately with short-date hearing
  - Consent orders
  - “Place holder” letters for bankruptcy

AARMR

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- American Association of Residential Mortgage Regulators
  - Very active
  - Partnering with CSBS
    - Licensing database ($100,000 contribution)
    - Non-Traditional Mortgage Product Guidance (model exam)
    - Subprime Guidance coming
  - Supporting Interstate Cooperation
    - Funding calls
    - Improving email circulation lists
    - Hosting regular calls (weekly/monthly)
    - Coordinating joint exams

Thanks!