

Mortgage Bankers Association
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State Regulators' Panel

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New Laws, New Powers

- Nearly every substantial state law passed in 2006 & 2007 provides increased or enhanced powers to state bank or mortgage regulators
- Examples: Ohio, Minnesota, North Carolina, Maine, Colorado, Rhode Island – and more are on the way, e.g., Massachusetts, Michigan
- Expanded powers include rulemaking authority, greater examination powers and increased enforcement authority
- Note: Not every state law is supported or promoted by state regulators – e.g. Minnesota

Rules and Interpretations

- State regulators are writing regulations, too – e.g., Pennsylvania, Arkansas, Mississippi, Rhode Island, Massachusetts
- Focus in laws and regulations: borrower's ability to repay, must be determined or verified – in other words, the regulation of loan underwriting
- How will state regulators interpret and apply subjective, loan-level standards?
- Any loan that goes bad subject to “second guessing”

Industry Questions in 2007

- Nontraditional Guidance and Subprime statement are bank-like and unprecedented for non-depositories
- How will Nontraditional Guidance and Subprime Statement be implemented and enforced?
- CSBS Model Exam Guidelines – how broadly will they be adopted?
- Are state banking and mortgage departments staffed (and trained) to conduct bank-like exams?

Industry Questions in 2007 (cont'd)

- How much emphasis on marketing and promotion versus underwriting standards?
- Will industry see the benefits, such as consistency?
- When, in the exam cycle, will new guidance, laws and regulations become effective?
- Again, how much “second guessing”, particularly under the Guidance and the Statement?

Trends in Enforcement

- Taking advantage of new powers, in current market, to protect consumers
- Same state regulators may have to “do more with less”, if revenue declines as fewer companies and L.O.’s renew
- Looking at outcomes: state regulators may look at default and foreclosure rates of licensees
- Affiliated business arrangements under siege – Ariz, Washington, California, etc.