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A Communication From
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Sponsor Statement for CS for House Bill 145 **26-LS0598\R**

"An Act relating to the regulation of residential real property mortgage lending, including the licensing of mortgage lenders, mortgage brokers, and mortgage loan originators and compliance with certain federal laws relating to residential mortgage lending; and providing for an effective date."

House Bill 145, along with regulations promulgated when the bill becomes law, will bring Alaska's mortgage lending law into compliance with the new federal law and national licensing system.

Alaska's current mortgage lending law, the Alaska Mortgage Lending Regulation Act (AMLRA), found at AS 06.60, became effective July 1, 2008. The law requires that mortgage lenders, brokers, and originators apply for and obtain a mortgage license in order to do business in Alaska. The purpose of this law is to protect consumers and hinder predatory lending and fraudulent behavior.

On July 30, 2008, a new federal law called the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act) became effective. The SAFE Act requires that all states implement a mortgage law that conforms to its requirements by July 30, 2009, and that all states use a national database for licensing mortgage loan originators. States may comply through statute and regulation and may implement more comprehensive mortgage lending laws than are provided under the federal SAFE Act, which provides minimum standards and requirements.

Under the federal SAFE Act, states with legislatures that meet annually have until July 30, 2009, to comply. States must also join the National Mortgage Licensing System (NMLS) and participate in licensing through this nationwide system by the deadline.

If a state does not comply with the federal law by the deadline, then the U.S. Department of Housing and Urban Development (HUD) is required under the SAFE Act to license loan originators in the state. The state will then have no say in who conducts business in the state. While a state may maintain authority under their existing law, the authority will be subordinate to HUD. This structure will increase the regulatory burden and cost on the industry. HUD is not required to coordinate with the states. Therefore, it is important for Alaska to make every effort

to amend current law by passing HB 145 in order to become compliant with the new federal law within the earliest possible time frame.

Noncompliant states, with legislatures that meet annually, may apply to HUD for a one year extension. They must show that they are making a good faith effort to join the NMLS and become compliant with federal law. Each state must have a reasonable implementation plan in place. However, HUD has not stated specific standards as of yet for granting an extension. Because Alaska's legislature meets for only three months (from mid-January to mid-April), even if this bill passes this legislative session, the state would not have enough time to amend current regulations and promulgate new regulations to implement the law. Under HB 145, Alaska will comply with the S.A.F.E. Act through both statute and regulation, yet two and one-half months from the end of session to the implementation deadline may not be adequate time to amend our regulations and give public notice.

Alaska is scheduled to join the NMLS on August 1, 2009, and to begin licensing through the NMLS at that time. States are allowed to join prior to the effective date of their legislation, provided they have statutory approval to join and pay the one-time fee. After payment of the one-time fee, the cost for operating the NMLS is born by the industry through fees. It is important that we show our intent to comply with the SAFE Act by joining the NMLS on schedule. This will further support our application for an extension to HUD.

A few examples of revisions and requirements under the SAFE Act follow: (a) changing our current license renewals from a biennial to an annual renewal, (b) requiring 20 hours of pre-licensing education, and (c) requiring that originators working for mortgage loan servicers and loan modification businesses become licensed. One of the primary advantages to joining the NMLS, however, is the sharing of information among states, and the ability to conduct joint exams with other states for out-of-state mortgage loan originators doing business in Alaska.

I urge your support of House Bill 145.