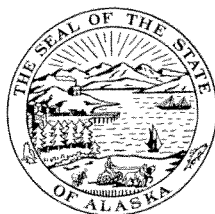


ALASKA STATE LEGISLATURE

Senator Joe Paskvan

Chair, Labor and Commerce
Vice Chair, Health and Social Services
Member, Transportation
Member, State Affairs
Member, Joint Armed Services

*Senate District E
Fairbanks and Fort Wainwright*



State Capitol Building, Room 7
Juneau, Alaska 99801-1182

Phone (907) 465-3709

Fax (907) 465-4714

sen.joe.paskvan@legis.state.ak.us

<http://paskvan.aksenate.org/>

SB 187: Mortgage Lending Regulation

Sponsor Statement

SB 187 will allow the Department of Commerce, Community and Economic Development to participate in the National Mortgage Licensing System (NMLS) as prescribed by the federal Secure and Fair Enforcement of Mortgage Licensing Act of 2008 (SAFE). By authorizing the state to join the national database and testing system, mortgage lenders in Alaska can continue being licensed to do business by the state while the legislature and department work to revise mortgage lending licensing laws to make the many small changes needed to be fully SAFE compliant.

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.

Alaska is scheduled to join the NMLS on August 1, 2009, and to begin licensing through the NMLS at that time. It is important for the state to 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 the U.S. Department of Housing and Urban Development (HUD).

The advantages to joining the NMLS are 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. These are important steps in strengthening our already strong mortgage lending licensing laws and will protect consumers from shady lenders coming in from out of state and doing business without proper oversight and review.

I urge your support and the timely passage of HB 187.

SENATE BILL NO. 187

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Introduced: 4/8/09

Referred:

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the state's participation in the federal Nationwide Mortgage
2 Licensing System and Registry, and to mortgage lending regulation and licensing; and
3 providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 06.60 is amended by adding a new section to article 9 to read:

6 **Sec. 06.60.870. Authority to participate in national system and registry.**

7 Notwithstanding another provision of law to the contrary, the department may take the
8 action that is necessary for the state to participate in the Nationwide Mortgage
9 Licensing System and Registry. The department may adopt emergency regulations
10 under AS 44.62 (Administrative Procedure Act) to implement this section, including
11 the adoption of regulations for the assessment of fees. In this section, "Nationwide
12 Mortgage Licensing System and Registry" has the meaning given in 12 U.S.C. 5102
13 (Secure and Fair Enforcement for Mortgage Licensing Act of 2008).

14 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 187
 () Publish Date: _____

Identifier (file name): SB187-CED-BAS-04-08-09
 Title Nationwide Mortgage Licensing System and Registry
 Sponsor Senate Labor and Commerce Committee
 Requester Senate Labor and Commerce Committee
 Dept. Affected: DCCED
 RDU Banking and Securities
 Component Banking and Securities
 Component Number 2808

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel	28.0		7.0	0.0	0.0	0.0	0.0
Contractual	70.0		0.0	0.0	0.0	0.0	0.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	98.0	0.0	7.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Rcpt Svcs (1156)	98.0		7.0				
TOTAL	98.0	0.0	7.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost:

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill will amend statute to allow the state to enroll in the National Mortgage Lending System (NMLS) database and national testing system prior to the federally mandated July 31, 2009 deadline.

Alaska's state mortgage lending law (effect July 1, 2008) requires that mortgage lenders, brokers, and originators apply for and obtain a mortgage license to do business in Alaska. The federal S.A.F.E. Act (enacted July 30, 2008) requires, in part, that all states utilize a national database licensing system called the National Mortgage Lending System (NMLS) to license mortgage loan originators.

Prepared by: Lorie Hovanec, Director
 Division: Banking and Securities
 Approved by: Emil Notti, Commissioner
Department of Commerce, Community and Economic Development

Phone 465-5448
 Date/Time 04-08-09/ 5:00pm
 Date 4/8/2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. SB 187

ANALYSIS CONTINUATION

The contractual component in this fiscal note reflects and a one-time fee of \$50,000 to join the NMLS; and \$20,000 for system upgrades to interface with the NMLS.

The travel component in this fiscal note reflects necessary attendance by the licensing examiner and the regulatory examiners at training seminars held at the NMLS headquarters in Richmond, VA in FY10. Another training seminar will be held in FY 11 that would be attended by a regulatory examiner. Travel to Richmond, VA is necessary to provide hands-on training where the database is housed. It also allows two very distinct areas of training on the NMLS system. One area is to accept the application for licensure issued by each state and the second area is for the regulatory examiners to access information for enforcement actions.

At some time in the future the state is required to pass legislation that would bring the state into full compliance with the federal S.A.F.E. act. At that time approximately \$30,000 in legal fees would be needed for regulation drafting and review.

After FY11 this bill will have a zero fiscal impact for the Department. Any additional workload required to implement this legislation will be absorbed by existing staff.



CSBS/AARMR Nationwide Mortgage Licensing System

Improving Supervision of the Mortgage Industry through Collaboration and Technology

In order to protect their citizens and bring greater accountability and transparency to the mortgage industry, state mortgage regulators have been working together since 2004 to develop the Nationwide Mortgage Licensing System (“The System”). The System will increase and centralize information available to state regulators, the mortgage industry and the general public about the people and companies that originate and make home mortgages.

Supervision of the mortgage industry began at the state level and, last year alone, state mortgage regulators took over 3,500 enforcement actions against mortgage companies and professionals. The modern evolution of the mortgage industry and the increased importance of protecting consumers and neighborhoods, though, are signs that states’ historic role demands new tools and authorities.

Building a Modern System of Oversight for the Mortgage Industry

State regulators have worked through their professional organizations, the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR), to develop four uniform mortgage licensing forms that gather comprehensive information about mortgage lenders, bankers, and brokers, as well as these companies’ owners and executive officers, branches, and loan officers:

- Uniform Mortgage Lender/Mortgage Broker Form (Form MU1)
- Uniform Mortgage Biographical Statement & Consent Form (Form MU2)
- Uniform Mortgage Branch Office Form (Form MU3)
- Uniform Individual Mortgage License/Registration & Consent Form (Form MU4)

Starting in January 2008, each state licensed mortgage lender, banker, and broker company will be able to electronically complete a *single* Form MU1 (regardless of the number of states they are licensed in) and each of their owners and executive officers will be able to complete a *single* Form MU2 (regardless of the number of companies they are affiliated with). This information will be housed in a centralized database available to state mortgage regulators. Licensees will be able to electronically access their own record over a secure website to make amendments, renew their licenses, or apply for a new license.

Likewise, each mortgage company branch and each loan officer will electronically complete a *single* Form MU3 or Form MU4 (respectively) for use in those states that require branch and/or loan officer licensing.

Increasing Transparency and Accountability in the Mortgage Industry

As each mortgage company, owner or executive officer, branch and loan officer completes a record for themselves and submits it to their regulator, the Nationwide Mortgage Licensing System will assign that record a unique identifying number. This number will be permanently assigned to the entity or person in perpetuity and will allow state regulators to definitively track companies and persons across states and over time.

Additionally, consumers and the mortgage industry will be able to check on the license status and license history of the companies and/or persons with which they wish to do business.

The Status of the Nationwide Mortgage Licensing System

As of July 2007, 35 state agencies have signed onto a Statement of Intent indicating their commitment to participate in the CSBS/AARMR Nationwide Mortgage Licensing System. The System will begin operations on January 2, 2008. It is expected that 4-6 state agencies will begin using the System on approximately a quarterly basis during 2008 and 2009. Each state will individually announce its participation date and communicate with licensees in advance of its participation in the System.

In 2005, CSBS and AARMR formed a Residential Mortgage Regulator Taskforce (RMRT) that has met monthly to create the uniform applications and discuss functionality and regulatory matters that are being incorporated into the System. Currently, twelve states are using the MU Forms in paper format.

In 2006, a contract was signed with the Financial Industry Regulatory Authority (FINRA), formerly known as the National Association of Securities Dealers (NASD), to build the System. FINRA has tremendous experience in operating national licensing and database systems for the securities and investment advisory industries and has an impeccable record of managing and protecting information.

In September 2006, CSBS formed a wholly owned operating subsidiary called the State Regulatory Registry LLC (SRR) to develop and operate the System. SRR is governed by a Board of Managers comprised of five state mortgage regulators that are members of CSBS and AARMR. In March 2007, the SRR Board of Managers amended the operating agreement to create a Mortgage Advisory Council comprised of industry companies and associations. The purpose of the Mortgage Advisory Council is to advise and assist the SRR Board of Managers by providing substantive input on appropriate areas of SRR activities.

Raising Standards and Garnering Efficiencies

A result of states' collaborative efforts in building the Nationwide Mortgage Licensing System is the raising and standardizing of licensing requirements. In adopting the uniform forms, states have consolidated their requirements- accepting higher reporting standards incorporated into the forms and eliminating unnecessary requirements. Additionally, states are increasingly expanding their authority to conduct criminal background checks on their licensees.

Additionally, the SRR announced in the Fall of 2006 an initiative to improve and standardize educational and testing requirements across states. The initiative, named the Mortgage Industry Nationwide Uniform Testing and Education System (MINUTES), is a complementary initiative of the Nationwide Mortgage Licensing System that will increase standardization of educational and testing requirements and improve compliance.

More information about the Nationwide Mortgage Licensing System can be found at: www.csbs.org

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The Conference of State Bank Supervisors is the national organization for state banking, representing the bank regulators of the 50 states, the District of Columbia, Guam, Puerto Rico and the Virgin Islands, and approximately 6,200 state-chartered financial institutions. The Conference is responsible for defending state authority to determine banking structure and the products and services state-chartered institutions can offer and for improving the quality of state bank supervision by providing department performance evaluation and accreditation programs and supervisory education/training programs for state banking department personnel.

AARMR is the national organization representing state residential mortgage regulators. AARMR's mission is to promote the exchange of information between and among the executives and employees of the various states who are charged with the responsibility for the administration and regulation of residential mortgage lending, servicing and brokering.