

From: Lorie Hovanec, Director  
Division of Banking and Securities (administers the Alaska Mortgage Lending Regulation Act)  
Date: April 14, 2009  
RE: Request for Support

## **HB 221 – Enabling Legislation to Join the National Mortgage Licensing System**

### **PURPOSE**

- **Provides enabling legislation to allow the state to join the national licensing system on schedule.** The National Mortgage Licensing System and Registry is an on-line database system used for licensing and registering mortgage loan companies and professionals.<sup>1</sup> The Division is scheduled to begin licensing through this national uniform system on August 1, 2009. States join the system in groups, and we are scheduled to join with the August 1st group of states this year.

### **BENEFITS to Consumers, Regulators and the Industry**

- **State Regulators:** State regulators started developing the national licensing system in 2003, and it launched in January of 2008 with 7 states. Currently about 30 states participate, and all states will be participating by the end of 2010. State regulators can access information about individuals and companies which conduct business in other states and which hope to do business in Alaska. Regulators and the industry can easily access information regarding the employment history of and publicly adjudicated disciplinary and enforcement actions against loan originators.
- **Consumers:** Consumer protection is enhanced by creating more accountability within the mortgage lending industry.
- **Mortgage Lending Industry:** Companies and professionals find the convenience & simplicity of the system advantageous. The system provides the ability to update, amend, renew or apply for licenses online over a secure website 362 days a year. For businesses which operate in numerous states, the system's uniform application form and process make doing business easier. Companies can also track the employment history of loan originators before hiring them.

### **PARTICIPATION IS ALSO FEDERALLY MANDATED**

- **SAFE Act.** On 7/30/08, a new federal law called the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (the SAFE Act) became effective and requires all state to join and use this national database for licensing mortgage loan originators. HB 221 enables Alaska to comply. Other licensing standards required under the SAFE Act are being addressed in separate legislation which is being carried over to next year.
- **7/30/09 Deadline.** Under the SAFE Act, Alaska has until 7/30/09, to comply. If the deadline is not met, HUD is required to either set up a licensing system in the state OR to grant an extension, if the state has demonstrated a good faith effort to comply. Under HB 221, a new section of law is added to our current law, which allows us to join the national system and pay a one-time fee (\$50,000, the state's share of the system development costs). Thereafter, participation costs are covered by licensing and registration fees.
- **Demonstrates good faith effort to HUD to qualify for 1 year extension.** By joining the national database licensing system, the state will likely qualify for a 1 year extension from HUD to bring our current mortgage lending law into compliance with other SAFE Act requirements.
- **Avoids dual licensing of the mortgage lending industry.** If Alaska does not demonstrate a good faith effort and is not granted an extension, then the mortgage lending industry may have to operate under two separate licensing systems: both state and federal.

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<sup>1</sup> This uniform licensing system is similar to what has been done by state agencies in the securities and investment advisor industries.