

ALASKA STATE LEGISLATURE

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Sponsor Statement for SB 279: Mortgage Lending

Senate Bill 279 “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.”

Senate Bill 279, 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”), 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 (1) implement mortgage laws which conform to its requirements by July 30, 2009, and (2) join and use a national database called the National Mortgage Licensing System and Registry (Registry) to license mortgage loan originators. States may implement more comprehensive mortgage lending laws than are provided under the federal SAFE Act, which provides minimum standards and requirements.

Alaska was able to join and begin licensing through the Registry on August 1, 2009, as the result of the passage of House Bill 221 last legislative session, which authorized participation in the Registry, enabling the state to comply with that part of the SAFE Act.

Under the SAFE Act, a state which is unable to meet the July 30, 2009 compliance deadline and whose legislature meets annually, may apply for a one-year extension to the U.S. Department of Housing and Urban Development (HUD), the federal agency tasked with compliance oversight. Alaska requested an extension on August 25, 2009.

If a state does not comply with the federal law by the deadline, then HUD is required under the SAFE Act to license loan originators in the state. While a state may maintain authority under its existing law, the authority will be subordinate to HUD. This structure would increase the regulatory burden and cost on the industry. HUD is not required to coordinate with the states.

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A few examples of revisions and requirements under the SAFE Act include (a) changing our current license renewal from a biennial to an annual renewal and (b) requiring 20 hours of pre-licensing education.

For consumers and state regulators, one of the primary advantages to joining the Registry is the sharing of information about mortgage lenders and loan originators among states, as well as the ability to conduct joint exams with other states for out-of-state mortgage lenders doing business in Alaska, including those which operate via the Internet. The Registry also increases and centralizes information available to state regulators, the industry and consumer about the mortgage lending companies and professionals. The use of a national licensing database is also beneficial to the mortgage lending industry, making it easier to track mortgage loan originators and creating a uniform, electronic application process for licensing.

I respectfully request your consideration of this bill and look forward to hearing your questions and concerns.