

**HB**

**221**

<target><bill>HB 221</bill><subject>HB  
221</subject><comm>HFIN26</comm></target>



# ALASKA STATE LEGISLATURE HOUSE LABOR & COMMERCE COMMITTEE

REP. KURT OLSON

Chairman  
State Capitol, Room 124  
Juneau, AK 99801-1182  
(907) 465-2693 FAX 465-3835

Rep Mark Neuman, V-Chair    Rep. Mike Chenault  
Rep. John Coghill            Rep. Bob Lynn  
Rep. Lindsey Holmes        Rep. Bob Buch

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## Sponsor Statement

### House Bill 221, Mortgage Lending Regulation

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

HB 221 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 221



# Alaska State Legislature

Please enter into the record my testimony to the House Labor & Commerce  
 committee name  
 committee on HB 221 , dated 4-10-09  
 bill/subject

Good Afternoon Mr. Chairman and Committee Members:

I am John Martin, President of the Alaska Association of Mortgage Brokers. Our organization along with the Alaska Mortgage Bankers Association worked closely with the Division of Banking and Securities to get our existing mortgage licensing law passed several years ago. It was passed unanimously in the House and Senate.

Since that time the Federal Government has passed the Secure and Fair Enforcement Act (SAFE Act), which pertains to mortgage licensing. It sets the minimum standards all states must comply with by July 31, 2009. If the standards are not met in time, HUD has the authority to grant an extension to the states based on their good faith efforts to comply with the SAFE Act.

Recently legislation was introduced to conform to the SAFE Act, SB145. That legislation has undergone changes with more to come. There is not enough time in this legislation period to iron it all out. Consequently, we will be working closely with the Department and the Alaska Mortgage Bankers Association to finalize the language.

During the interim, the state can apply for an exemption from HUD in regards to the SAFE Act based upon; pending legislation; the fact that our present statute substantially already complies with the SAFE Act; and by joining the Nationwide Mortgage Licensing System and Registry (NMLSR.)

This particular bill today, will grant the State the necessary authority to join the NMLSR and once signed into law will help Alaska get closer to compliance.

I would urge you to expedite this bill and pass it out of committee so the state can meet their target date for joining the NMLSR on August 1, 2009 as per their letter of intent.

Thank you for your consideration and attention to this matter.

Respectfully,

John Martin, CMC, CMPS  
 President,  
 Alaska Association of Mortgage Brokers



# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 221L&C  
 (H) Publish Date: 4/11/09

Identifier (file name): HB221-CED-BAS-04-08-09 Dept. Affected: DCCED  
 Title Nationwide Mortgage Licensing System and Registry RDU Banking and Securities  
 Component Banking and Securities  
 Sponsor House Labor and Commerce Committee  
 Requester House Labor and Commerce Committee Component Number 2808

**Expenditures/Revenues** (Thousands of Dollars)

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

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

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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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					
<b>TOTAL</b>	<b>98.0</b>	<b>0.0</b>	<b>7.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 #1**

**STATE OF ALASKA  
2009 LEGISLATIVE SESSION**

**BILL NO. CSHB 221(L&C)**

**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 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 developed the Nationwide Mortgage Licensing System ("NMLS"). NMLS increases and centralizes information available to state regulators and the mortgage industry about the professionals and companies that originate home mortgages.

State regulators recognized that the rapid expansion and evolution of the mortgage industry demanded a regulatory framework that was efficient and effective. In 2003, a nationwide taskforce of regulators began developing a uniform licensing registry, which was launched on January 2, 2008 as the Nationwide Mortgage Licensing System.

### NMLS

Nineteen states currently use the system to manage their mortgage licenses. In January 2009, four more states will join. Thus, in the first year of operations, nearly half of the states will be part of a system that:

- Improves the efficiency and effectiveness of supervision of the mortgage industry;
- Enhances consumer protection;
- Fights mortgage fraud and predatory lending that costs consumers and the industry hundreds of millions of dollars each year;
- Increases accountability among mortgage industry professionals; and
- Unifies and streamlines state license processes for mortgage lenders and brokers.

In the first 11 months of operations, NMLS is already managing:

- Over 11,300 mortgage companies
- Over 10,200 mortgage company branch locations
- Over 50,800 loan officers

Through NMLS, licensed mortgage lenders, bankers, broker companies and loan officers in participating states are able to complete a *single* uniform form electronically, regardless of the number of states in which they are licensed. This information is housed in a secure centralized repository available to mortgage regulators. Licensees are able to access their own record 7 days a week through the NMLS website to update, amend and renew their licenses, or apply for new licenses.

### **Increasing Transparency and Accountability in the Mortgage Industry**

As mortgage companies and/or individuals create a record for themselves and submit to their regulators, NMLS will permanently assign a unique identifying number to each record. The unique identifying number allows regulators to definitively track companies and professionals across states and over time.

Additionally, consumers and the industry will eventually be able to check on the license status and history of the companies and professionals with which they wish to do business in order to make a more informed decision.

### **Raising Standards through the S.A.F.E. Act**

On July 30, 2008, the President signed into law the Housing and Economic Recovery Act of 2008. Title V of this Act, entitled *The Secure and Fair Enforcement Mortgage Licensing Act of 2008* ("S.A.F.E. Act"), recognizes and builds on states efforts by requiring all mortgage loan originators, regardless of the type of entity they are employed by, to be either state-licensed or federally-registered. All mortgage loan originators must be licensed or registered through the expanded Nationwide Mortgage Licensing System and Registry.

Under the S.A.F.E. Act, all states must implement a mortgage loan originator licensing process that meets certain minimum standards and must license loan originators through NMLS.

More information about NMLS is available at <http://www.stateregulatoryregistry.org/NMLS>.

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*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 the departments with performance evaluation and accreditation programs and supervisory education/training programs for state banking department personnel.*

*American Association of Residential Mortgage Regulators 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.*

12/30/2008